RIGHTS ISSUE PROSPECTUS

SABB Takaful Company

Saudi Joint Stock Company established in accordance with Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G)

Commercial Registration No. 1010234032

Offering of 24,000,000 Ordinary Shares at an Offer Price of SAR 12.5 per share, (a nominal value of SAR10 and a premium of SAR 2.5 per share), through a Rights Issue Offering. This Offering represents an increase in the Company's Capital of 240% for a total value of SAR 240,000,000 and a total offer premium of SAR 60,000,000.

The Offering Period will commence on 24/08/1430H (corresponding to 15/08/2009G) until 05/09/1430H (corresponding to 26/08/2009G)

SABB Takaful Company (hereinafter referred to as the "Company" or "SABB Takaful") is a Saudi Joint Stock Company established pursuant to Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G), with Commercial Registration No. 1010234032 issued in Riyadh dated 20/05/1428H (corresponding to 06/06/2007G). The paid-up capital of the Company is SAR 100,000,000 divided into 10,000,000 shares with a nominal value of SAR 10 per share.

This Rights Issue (the "Offering") consists of the issuance of 24,000,000 New Shares (the "Rights Issue Shares" or "New Shares") with a nominal value of SAR 10 per share and a premium of SAR 2.5 per share ("the Offering Price") representing an increase in the Company's shares (the "Shares") from 10,000,000 shares to 34,000,000 shares.

The Offering is being made to, and is only capable of acceptance by registered holders of Shares (the "Eligible Shareholders") at the close of trading on the Extraordinary General Assembly Meeting (the "EGM") date which falls on 17/08/1430H (corresponding to 08/08/2009G) (the "Eligibility Date"). A number of 12 shares will be allocated for every 5 shares held by the Eligible Shareholders.

The Rights Issue Shares will be allocated to Eligible Shareholders who have applied to subscribe for a number of Rights Issue Shares proportionate to the number of Shares held by them on the Eligibility Date. Any Remaining Right Issue Shares not subscribed for by those entitled to them will be distributed to Eligible Shareholders who have applied for a number of Right Issue Shares in excess of their proportionate holding as detailed in the "Subscription Terms and Conditions" section. As for those Eligible Shareholders entitled to share fractions, fractions shall be added up in one portfolio and then sold at market price and offer price surplus shall be distributed to such shareholders at the Eligibility Date in proportion to the fraction each such shareholder is entitled to. Following the subscription, the share capital of the Company will be SAR 340,000,000 divided into 34,000,000 shares. The Net Proceeds will be used to finance the future plans of the Company (see "Use of Proceeds" section).

The Board of Directors, at its meeting held on 24/09/1429H (corresponding to 24/09/2008G), noted that it would recommend to the general assembly an increase in the Company's Capital from SAR 100,000,000 to SAR 340,000,000 once all necessary regulatory approvals have been obtained. On 17/08/1430H (corresponding to 08/08/2009G), the EGM agreed to the recommendation and adopted a resolution to increasing the Company's Capital.

The Rights Issue Offering Period will commence on Saturday 24/08/1430H (corresponding to 15/08/2009G) and will remain open for a period of (10) ten working days up to and including Wednesday 05/09/1430H (corresponding to 26/08/2009G) (the "Offering Period"). During the Offering Period, Eligible Shareholders (the "Subscribers" or "Subscriber") may submit their applications to subscribe for Rights Issue Shares at any branch of the Receiving Banks (see "Subscription Terms and Conditions" section). According to instructions and requirements of the Capital Market Authority (the "CMA"), a mechanism will be applied to compensate Eligible Shareholders who do not avail their right to subscribe for Rights Issue Shares as explained in "Subscription Terms and Conditions".

Excess of subscription monies, if any, will be returned to Eligible Shareholders without any charge or withholding by the Receiving Banks. Notification of the final allotment and refund of subscription monies, if any, will be made by 11/09/1430H (corresponding to 01/09/2009G) (see "Subscription Terms and Conditions – Allocation and Refund").

The Company has one class of shares which do not carry any preferential rights. New Shares will be paid in full and will rank equally in all respects with existing shares. Each New Share entitles its holder to only one vote. Each shareholder (the "Shareholder") holding at least (20) twenty Shares has the right to attend and vote at the General Assembly Meetings (the "General Assembly"). The New Shares will entitle holders to receive any dividends declared by the Company for the fiscal year ending 31 December 2009G and subsequent fiscal years, if any (see "Dividends Policy" section). The existing shares of the Company are currently being traded on the Saudi Stock Exchange ("Tadawul" or "Exchange"). An application has been submitted to the CMA for admission of the New Shares to the official list and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA have been granted. Trading of the New Shares is expected to commence on the Exchange soon after the final allocation of the New Shares and refund of subscription monies has been determined (see "Key Dates for Subscribers" section). Trading in the New Shares after listing on the official list will be permissible to Saudi citizens, expatriates residing in the Kingdom, Saudi companies, banks and investment funds and Gulf companies and establishments.

The entire Prospectus and the "Important Notice" and "Risk Factors" sections contained within should be considered carefully prior to making an investment decision in the New Shares hereby.

Financial Advisor and Lead Manager — مجموعة الدخيل المالية AFG ALDUKHEIL FINANCIAL GROUP

Underwriter — السعودي الهولندي المالية Saudi Hollandi Capital

Receiving Banks — SABB ساب; Al Rajhi Bank مصرف الراجحي; NCB الأهلي; بنك الجزيرة BANK ALJAZIRA; samba سامبا

The Prospectus was issued in 18/08/1430H (corresponding to 09/08/2009G)
This Prospectus is an English translation of the Official Arabic Prospectus

SABB Takaful ساب تكافل

Member HSBC Group

Important Notice

This Prospectus (the "Prospectus") provides full details of information relating to SABB Takaful Company ("SABB Takaful" or "the Company") and the Rights Issue Shares being offered. In applying for the New Shares, Eligible Shareholders will be treated as applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Company's Head Office, the Lead Manager and Receiving Banks or by visiting the Company's website: www.sabbtakaful.com, the Financial Advisor's website: www.aldukheil.com.sa or the Capital Market Authority's (the "CMA") website: www.cma.org.sa.

Aldukheil Financial Group ("AFG") has been appointed by the Company to act as Financial Advisor and Lead Manager (the "Financial Advisor"), while Saudi Hollandi Capital has been appointed to act as the Underwriter (the "Underwriter") in relation to the Rights Issue Shares being offered described herein.

This Prospectus includes details given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page "iii"; collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, the market and industry information herein are derived from external sources, and while neither the Company, AFG, nor any of the Company's advisors have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the New Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, its Board of Directors, or any of its advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs.

The Rights Issue Offering is being made to, and is only capable of acceptance by registered holders of Shares at the close of trading on the Extraordinary General Assembly Meeting ("EGM") date which falls on 17/08/1430H (corresponding to 08/08/2009G). The distribution of this Prospectus and the sale of the New Shares to any other persons or in any jurisdiction is expressly prohibited. The Company, Financial Advisor, and Lead Manager require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

Market and Industry Information

The market and industry information herein are derived from publicly available sources, and while no reason is there to believe that any of the market and industry information is inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

Financial Information

The audited financial statements for the period from 15 May 2007G to 31 December 2008G and the notes thereto, each of which are incorporated elsewhere in the Prospectus, have been prepared in conformity with International Financial Reporting Standards (IFRS). The financial statements have been audited by Ernst & Young and KPMG Al Fozan & Al Sadhan. The Company publishes its financial statements in Saudi Arabian Riyals.

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in the "Risk Factors" section of this Prospectus on page "3". Should any one or more of the risks or uncertainties materialise or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Company commits to submit a supplementary Prospectus to the Authority if at any time after this Prospectus has been approved by the Authority and before admission to the Official List, SABB Takaful becomes aware that (a) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules; or (b) additional significant matters have become known which would have been required to be included in the Prospectus. Except to the foregoing, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Board of Directors

Name	Position	Representation	Type
Dr. Yazid Abdulrahman Al Ohaly	Chairman	Public	Non-Executive / Independent
David Robert Hunt	Managing Director	Other Founders	Executive / Non-Independent
Mohammad Abdullah Al Mulla	Director	Public	Non-Executive / Independent
Dr. Faisal Hamad Al Sugair	Director	Public	Non-Executive / Independent
Fouad Abdul Wahab Al Bahrawi	Director	SABB	Non-Executive / Non-Independent
Mansour Abdulaziz Al Bosaily	Director	SABB	Non-Executive / Non-Independent
Adel Al Marzook Al Nasser	Director	SABB	Non-Executive / Non-Independent
David Dew	Director	Other Founders	Non-Executive / Non-Independent
Richard William Lewis Groves	Director	SABB and Other Founders*	Non-Executive / Non-Independent
Nigel Grant Hinshelwood	Director	Other Founders	Non-Executive / Non-Independent
Vacant**	Director	Public	Non-Executive / Independent

Source: SABB Takaful

* The Other Founders are HSBC Asia Holdings B.V., Canada Square Nominees (U.K.) Ltd., Canada Water Nominees (U.K.) Ltd., and Canada Crescent Nominees (U.K.) Ltd., which are holding companies that are part of the HSBC Group and are 100% owned by one or more of HSBC Group companies.

** The Company's Board of Directors will appoint a new Member after obtaining approval from the concerned authorities and after finalising the related procedures, provided that such appointment is put forward before the first meeting of the Ordinary General Assembly for endorsement.

Company Address

SABB Takaful Company
Prince Abdulaziz bin Mesaed bin Jalawi Rd.
P.O.Box 9086, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966-1-2764400
Fax: +966-1-2764463
Website: www.sabbtakaful.com

SABB Takaful ساب تكافل
Member HSBC Group

Appointed Representative

David Robert Hunt
Managing Director
P.O.Box 9086, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966-1-2764400
Fax: +966-1-2764463
Email: davidhunt@sabbtakaful.com

Board of Directors' Secretary

Hani Ali Al Saif
Head of Compliance
P.O.Box 9086, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966-1-2764400
Fax: +966-1-2764463
Email: hanialsaif@sabbtakaful.com

Share Registrar

Saudi Stock Exchange (Tadawul)
NCCI Blg., 700 King Fahd Rd.
P.O.Box 60612, Riyadh 11555
Kingdom of Saudi Arabia
Tel: +966-1-2181200
Fax: +966-1-2181260
Website: www.tadawul.com.sa

تداول
TADAWUL

Issuer's Commercial Banks

The Saudi British Bank
Prince Abdulaziz bin Mesaed bin Jalawi Rd.
P.O.Box 9084, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966-1-4050677
Fax: +966-1-4050660
Website: www.sabb.com

The Saudi Hollandi Bank
Prince Abdulaziz bin Mesaed bin Jalawi Rd.
P.O.Box 1467, Riyadh 11431
Kingdom of Saudi Arabia
Tel: +966-1-4010288
Fax: +966-1-4031104
Website: www.shb.com.sa

The National Commercial Bank
Prince Abdulaziz Rd.
P.O.Box 22216, Riyadh 11495
Kingdom of Saudi Arabia
Tel: +966-1-4787877
Fax: +966-1-4730147
Website: www.alahli.com

Main Parties to the Transaction

Financial Advisor and Lead Manager

Aldukheil Financial Group
Ma'ther St.
P.O.Box 2462, Riyadh 11451
Kingdom of Saudi Arabia
Tel: +966-1-292778
Fax: +966-1-4787569
Website: www.aldukheil.com.sa

Legal Advisor

Meshal Al Akeel Law Firm
In affiliation with Hourani & Associates
Olaya St.
P.O.Box 67356, Riyadh 11596
Kingdom of Saudi Arabia
Tel: +966-1-2931234
Fax: +966-1-2930051
Website: www.houraniassociates.com

Reporting Accountant

Ernst & Young
King Fahd Rd.
P.O.Box 2732, Riyadh 11461
Kingdom of Saudi Arabia
Tel: +966-1-2734740
Fax: +966-1-2374730
Website: www.ey.com

Note: The above parties have given their written consent to the publication of their names, addresses and logos in the Prospectus and to make references to their findings thereto, and have not withdrawn their consent as of the date of the Prospectus.

Underwriter

Saudi Hollandi Capital
Ma'ther St.
P.O.Box 1467, Riyadh 11431
Kingdom of Saudi Arabia
Tel: +966-1-2767808
Fax: +966-1-2767836
Website: www.shc.com.sa

Receiving Banks

The Saudi British Bank
Prince Abdulaziz bin Mesaed bin Jalawi Rd.
P.O.Box 9084, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966-1-4050677
Fax: +966-1-4050660
Website: www.sabb.com

Al Rajhi Bank
Olaya St.
P.O.Box 28, Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966-1-4629922
Fax: +966-1-4624311
Website: www.alrajhibank.com.sa

National Commercial Bank
Prince Abdulaziz Rd.
P.O.Box 3555, Jeddah 21481
Kingdom of Saudi Arabia
Tel: +966-2-6493333
Fax: +966-2-6437426
Website: www.alahli.com

Al Jazira Bank
Khaled Bin Al Walid St.
P.O.Box 6277, Jeddah 21442
Kingdom of Saudi Arabia
Tel: +966-2-6518070
Fax: +966-2-6532478
Website: www.baj.com.sa

Samba Financial Group
Prince Abdulaziz Rd.
P.O.Box 67356, Riyadh 11596
Kingdom of Saudi Arabia
Tel: +966-1-2931234
Fax: +966-1-2930051
Website: www.samba.com.sa

The Offering

The Company	SABB Takaful Company is a Saudi Joint Stock Company established pursuant to Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G). The Company operates under Commercial Registration No. 1010234032 dated 20/05/1428H (corresponding to 06/06/2007G) and the Saudi Arabian Monetary Agency Insurance License No. 5/20079 dated 29/08/1428H (corresponding to 11/09/2007G).
Nature of Offering	Rights Issue
Rights Price	SAR 12.5 per share to be paid in full during subscription
Nominal value	SAR 10 per share
Premium	SAR 2.5 per share
Total number of issued shares prior to Offering	10,000,000 fully paid ordinary shares
Company's Capital prior to Offering	SAR 100,000,000
Number of New Shares	24,000,000 shares
Total number of Shares post Offering	40,000,000 shares
Percentage increase in Capital	240%
Company's Capital post Offering	SAR 340,000,000
Total Proceeds	SAR 300,000,000
Offering Expenses	SAR 5,000,000
Total Proceeds Net of Offering Expenses	SAR 295,000,000
Eligibility Date	Close of trading on the date of the EGM which will vote for the increase in capital as recommended by the Board of Directors, which falls on 17/08/1430H (corresponding to 08/08/2009G).
Beginning of Offering period	The Offering Period will commence on Saturday 24/08/1430H (corresponding to 15/08/2009G).
Ending of Offering period	The Offering Period will end on Wednesday 05/09/1430H (corresponding to 26/08/2009G).
Shareholders eligible to subscribe to the New Shares	Registered holders of Shares as at the close of trading on the EGM date.

Effect on Eligible Shareholders who choose not to subscribe to the New Shares	Eligible Shareholders who do not subscribe for New Shares will be subject to a fall in the percentage of their ownership in the Company and the value of the shares they currently hold. As per CMA instructions and in accordance with its requirements, Eligible Shareholders who do not subscribe for all or part of the New Shares may receive compensation, if any, to be calculated as shown in the "Subscription Terms and Conditions" section of the Prospectus.
Use of Proceeds	Total proceeds net of Offering expenses are estimated at SAR 295,000,000. The Company intends to use these proceeds to finance the growth of existing insurance products, the introduction and growth of new products, and the overall growth of the Company. The total estimated costs for these plans are estimated at SAR 295,000,000 (see "Use of Proceeds" section of the Prospectus). The total estimated costs of SAR 295,000,000 will be fully financed through the Rights Issue that is the subject of this Prospectus. The Company's Capital will increase from SAR 100,000,000 to SAR 340,000,000 which represents an increase of SAR 240,000,000. The remaining proceeds of SAR 60,000,000 will be credited to a share premium account under shareholder's equity.
Subscription for additional New Shares	Holders of Shares who are registered in the Company's records upon the last close of trading before convening of the Extraordinary General Assembly which approves the Capital increase have the right to apply for subscription for additional numbers of shares to cover those for which rights issue was not practiced. Subscription shall be as per one of the following correct prices only: 1. Offer price of the New Share. 2. Offer price of the New Share plus an amount equal to 30% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price which is modified after convening of the EGM multiplied by the division product of the number of the Company's Shares pre-Offering over the number of New Shares, rounded to the nearest round number. 3. Offer price of the New Share plus an amount equal to 60% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price which is modified after convening of the EGM multiplied by the division product of the number of the Company's Shares pre-Offering over the number of New Shares, rounded to the nearest round number.

	4. Offer price of the New Share plus an amount equal to 90% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price which is modified after convening of the EGM multiplied by the division product of the number of the Company's Shares pre-Offering over the number of New Shares, rounded to the nearest round number. Prices of subscription in Additional New Shares shall be as follows: SAR 12.5 per share, SAR 19 per share, SAR 26 per share, SAR 33 per share with acknowledgement that the Eligible Shareholder may not choose more than one price for the additional New Shares.
Allocation of New Shares	A minimum of (12) shares will be allocated for every (5) shares held by holders of Shares on the Eligibility Date, who submit applications for that purpose and have completed subscription procedures accurately. In case of failure of subscription for all New Shares as per the formula illustrated above, the additional New Shares shall be allocated to Eligible Shareholders who have subscribed for more shares than they are entitled to, at the higher then lower and then lower of the prices indicated in "Subscription Terms and Conditions" section. In case subscription applications, at any of the prices mentioned above, exceed the shares offered for sale, allocation will take place among subscribers on a pro-rata basis. The Underwriter shall buy any New Shares that have not been subscribed for during the Offering Period, if any. As for those entitled to share fractions, fractions shall be added up in one portfolio and then sold at market price and offer price surplus shall be distributed to Eligible Shareholders as per fractions he is entitled to (see "Subscription Terms and Conditions" section of the Prospectus).
Excess of Subscription Monies	Excess of subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the Lead Manager and the Receiving Banks. Notification of the final allotment and refund of subscription monies, if any, will be made no later than Wednesday 11/09/1430H (corresponding to 01/09/2009G) (see "Subscription Terms and Conditions" section of the Prospectus).
Compensation	The compensation to Eligible Shareholders who do not subscribe for all or part of the New Shares, if any, will be paid no later than Wednesday 19/10/1430H (corresponding to 11/10/2009G) (see "Subscription Terms and Conditions" section of the Prospectus).

Subscription Terms to Rights Offer	The Offering is being made to, and is only capable of acceptance by holders of Shares at the close of trading on the EGM date which falls on 17/08/1430H (corresponding to 08/08/2009G). The Company retains the right to reject, in full or in part, any application form which is not in compliance with the terms of the Offering. Once submitted, Subscription Application Forms cannot be amended or withdrawn. The acceptance of Subscription Application Form by the Company constitutes a binding agreement between the subscriber and the Company (see "Subscription Terms and Conditions" section of the Prospectus).
Trading of Shares	Trading in New Shares on Tadawul will commence after the completion of all procedures relating to registration and allocation of New Shares.
Voting Rights	The Company has only one class of shares and no Shareholder has any preferential voting rights. Each share entitles the holder to one vote and each Shareholder holding at least 20 shares has the right to attend and vote at the General Assembly Meeting.
Dividends	The New Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and for subsequent fiscal years. For a discussion of the Company's dividend policy (see "Dividends Policy" section of the Prospectus).
Risk Factors	There are certain risks relating to an investment in this Offering. These risks are described in the "Risk Factors" section of this Prospectus, and should be considered carefully prior to making an investment decision in the New Shares.

The Company received a letter of intent from the Saudi British Bank ("SABB") affirming their intention to fully exercise their rights to subscribe to 7,800,000 shares of the New Shares, representing SABB's share in the Rights offered for subscription based on the number of shares they hold on the Eligibility Date, which represent 32.5% of the total New Shares.

In addition, the Company received a letter of intent from HSBC Asia Holdings B.V. affirming their intention to fully exercise their rights to subscribe to 7,440,000 shares of the New Shares, representing HSBC's share in the Rights offered for subscription based on the number of shares they hold on the Eligibility Date, which represent 31.0% of the total New Shares.

Key Dates for Investors

Offering Timetable	Date
EGM meeting and determination of the Shareholders eligible to the New Shares	17/08/1430H (corresponding to 08/08/2009G)
Beginning of Offering period	24/08/1430H (corresponding to 15/08/2009G)
Ending of Offering period	05/09/1430H (corresponding to 26/08/2009G)
Allocation of New Shares and Excess of subscription monies refund to subscribers (in the event of over-subscription)	11/09/1430H (corresponding to 01/09/2009G)
Refund of Rights Issue Shares' fractions	The date will be announced soon through local gazettes and through Tadawul's website on the internet (www.tadawul.com.sa).
Payment of Compensation	The Compensation, if any, will be paid no later than 19/10/1430H (corresponding to 11/10/2009G).
Trading of New Shares	Trading of the New Shares will take place upon completion of all relevant procedures. This is expected to take place after the refund of Excess of subscription monies, in coordination with the Capital Market Authority and Tadawul, and will be announced at a later date.

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through national press announcements and Tadawul website (www.tadawul.com.sa). All the above dates refer to the Umm Al-Qura and the Gregorian calendars respectively and are inclusive.

How to Apply:

Subscription Application Forms will be available during the Offering Period at the branches of the Receiving Banks. Subscription Application Forms may be delivered during the Offering Period either through a branch of the Receiving Banks or tele-banking services section or automated teller machines (ATMs) or internet banking of any of the Receiving Banks which provides such services. Subscription may also be made by either debiting the account of the subscriber at any of the Receiving Banks or submitting a certified check in the name of the Company ("SABB Takaful Company") drawn on a local bank.

The Subscription Application Form must be completed in accordance with the instructions described in the "Subscription Terms and Conditions" section of this Prospectus. Each Eligible Shareholder must agree to the terms described as in the Subscription Application Form. If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such an application if it does not satisfy the subscription terms and conditions. Once the Subscription Application Form is submitted to the Receiving Banks, it may not be withdrawn or amended. A submitted Subscription Application Form to any of the Receiving Banks represents a legally binding agreement between the Company and the Eligible Shareholder (see "Subscription Terms and Conditions" section).

Summary of Key Information

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to interested Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the Company. Capitalised and abbreviated terms have the meanings ascribed to such terms in the "Definitions and Abbreviations" section and elsewhere in this Prospectus.

The Company

SABB Takaful Company is a Saudi Joint Stock Company established pursuant to Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G). The Company commenced its first fiscal year subsequent to the issuance of Ministerial Resolution No. 108 dated 27/04/1428H (corresponding to 15/05/2007G) declaring the incorporation of the Company. The Company operates under Commercial Registration No. 1010234032 dated 20/05/1428H (corresponding to 06/06/2007G) and the Saudi Arabian Monetary Agency Insurance License No. 5/20079 dated 29/08/1428H (corresponding to 11/09/2007G). The License authorises the Company to engage in protection and savings, general and miscellaneous insurance activities.

The paid-up share capital of the Company is SAR 100,000,000 consisting of 10,000,000 shares with a nominal value of SAR 10 each, of which 6,500,000 shares were issued against cash contributions by the Founding Shareholders representing 65% of the Company's share capital. The balance of 3,500,000 shares (35%) was issued to the public via an initial public offering ("IPO") held from 27/02/1428H (corresponding to 17/03/2007G) until 08/03/1428H (corresponding to 26/03/2007G), at an Offer Price of SAR 10 per share.

Founding Shareholders of SABB Takaful

Name	Percentage	Number of Shares	Par Value (SAR)
THE SAUDI BRITISH BANK	32.5%	3,250,000	32,500,000
HSBC ASIA HOLDINGS B.V.	31.0%	3,100,000	31,000,000
CANADA SQUARE NOMINEES (U.K.) LTD.	0.50%	50,000	500,000
CANADA WATER NOMINEES (U.K.) LTD.	0.50%	50,000	500,000
CANADA CRESCENT NOMINEES (U.K.) LTD.	0.50%	50,000	500,000
PUBLIC	35.0%	3,500,000	35,000,000
Total	**100.0%**	**10,000,000**	**100,000,000**

Source: SABB Takaful

The Company combines the traditional and valued service of SABB and the global network of resources and expertise of the HSBC Group to offer Family Takaful (protection and savings takaful) and General Takaful solutions to individual and commercial customers. The Company has focused on a pure Shariah-compliant 'banctakaful' (bancassurance) model whereby sales are made through the existing distribution network of SABB via a Takaful Agency and Sales Agreement with SABB Insurance Agency Company Limited. Over time, the Company plans to setup its own sales force, which would also include ladies, to cater for the takaful needs of all the market segments.

Vision

"To be recognised as the leading and trusted Takaful provider, operating in full harmony with the principles of Shariah."

Mission Statement

"To utilise our global expertise and local knowledge to provide our customers with tailored, innovative and inspiring Shariah-compliant Takaful solutions."

Business Strategy

SABB Takaful provides a range of Shariah-compliant takaful solutions. These solutions focus on the individual and commercial market with a range of both Family and General Takaful products. Family Takaful products for individuals are aimed at meeting needs for education, savings, retirement and investment. Family Takaful products are also made available to commercial customers via group protection plans. On the General Takaful side, a selection of products for travel, personal accident and home and contents is provided for individual customers while protection for marine cargo, property and fire is available for commercial customers.

As one of the first licensed takaful companies in the market, SABB Takaful has experienced strong growth in its first year of operations and is poised to continue to capitalise on the favourable long-term prospects of the insurance industry. With increasing growth in the market and increasing awareness towards Shariah-compliant insurance solutions, the Company is in a solid position to leverage off its competitive advantages toward increasing market presence and expanding the business.

One of the key pillars of the business strategy is Shariah compliance and the maintenance of the highest Shariah credentials. SABB Takaful's products are reviewed and approved by its Shariah Advisory Committee (whose names appear on page "31").

SABB Takaful will continue to employ the support, experience and international expertise of the HSBC Group to ensure a leading position in the market (HSBC is one of the largest banking and financial service organisations globally). SABB Takaful is able to utilise takaful know-how and expertise through HSBC Amanah, the global Islamic banking division of the HSBC Group, based in the United Arab Emirates.

Revenue Breakdown

SABB Takaful is a composite takaful company and provides both Family and General Takaful products.

The following table presents the details of gross contributions by overall product segments:

Gross Contributions per Product Segment	
(SAR'000)	**For the period from 15/05/2007G to 31/12/2008G**
Individual Takaful	
Individual Family Takaful	128,718
Individual General Takaful	11,366
Commercial Takaful	
Commercial Family Takaful (Group Takaful)	37,530
Commercial General Takaful	35,164
Total	**212,778**

Source: SABB Takaful

Summary of Financial Information

The selected financials presented below are based on, and should be read in conjunction with, the Audited Financial Statements for the period from 15 May 2007G to 31 December 2008G and the notes thereto.

Balance Sheet	
(SAR'000)	**As at 31/12/2008G**
Total takaful operations' assets	156,431
Total shareholders' assets	52,427
Total Assets	**208,858**
Total takaful operations' liabilities	156,431
Total shareholders' equity	51,137
Total shareholders' liabilities	1,290
Total shareholders' equity and liabilities	52,427
Total Takaful Operations' Liabilities, Shareholders' Equity and Shareholders' Liabilities	**208,858**

Results of Operations	
(SAR'000)	**For the period from 15/05/2007G to 31/12/2008G**
Statement of Takaful Operations	
Total revenue	50,736
Total claims and other expenses	(59,062)
Net deficit for the period from takaful operations	**(8,326)**
Net deficit transferred to statement of shareholders' operations	**8,326**
Statement of Shareholders' Operations	
Total revenue	3,226
Total expenses	(51,431)
Net loss for the period	**(48,205)**
Basic and diluted loss per share (SAR):	**(4.82)**

Statement of Cash Flows	
(SAR'000)	**For the period from 15/05/2007G to 31/12/2008G**
Takaful Operations' Cash Flows	
Net cash from operating activities	18,341
Net cash from financing activities	9,798
Cash and cash equivalents as at 31 December 2008G	**28,139**
Shareholders' Cash Flows	
Net cash used in operating activities	(56,554)
Net cash used in investing activities	(30,926)
Net cash from financing activities	100,000
Cash and cash equivalents as at 31 December 2008G	**12,520**

Source: Audited Financial Statements

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1. Definitions and Abbreviations

Term	Definition
Advisors	The Company's advisors with respect to the Offering whose names appear on page "v".
Board of Directors or the "Board"	The Board of Directors of SABB Takaful Company.
By-laws..	The By-laws of SABB Takaful Company.
CMA or the "Authority"	The Capital Market Authority of the Kingdom of Saudi Arabia.
Companies Regulations	The Companies Regulations, issued under the Royal Decree Number (M/6), dated 22/03/1385H, and any subsequent amendments thereto.
EGM	Extraordinary General Assembly Meeting which votes for the suggested Increase in Capital, which falls on 17/08/1430H (corresponding to 08/08/2009G).
Eligibility Date	17/08/1430H (corresponding to 08/08/2009G).
Eligible Shareholder(s)	Registered holders of Shares as at the close of trading on the Eligibility Date.
Exchange or Tadawul....................................	The Saudi Stock Exchange (Tadawul), an electronic trading system in the Kingdom of Saudi Arabia.
Financial Advisor and Lead Manager	Aldukheil Financial Group (AFG), appointed by the Company to act as the Financial Advisor and Lead Manager in connection with the Offering.
Financial Statements	Audited Financial Statements for the period from 15/05/2007G to 31/12/2008G.
GCC	Gulf Cooperation Council.
GDP	Gross Domestic Product.
Government	The Government of Saudi Arabia.
HSBC Group	HSBC Holdings Plc. and its subsidiaries at any particular time.
HSBC S.A. Ltd....	HSBC Saudi Arabia Limited.
Implementing Regulations	The Implementing Regulations of the Law of Supervision of Cooperative Insurance Companies promulgated by Royal Decree No. (M/32) dated 02/06/1424H (corresponding to 31/07/2003G).
Insurance Law	Law of Supervision of Cooperative Insurance Companies promulgated by Royal Decree No. (M/32) dated 02/06/1424H (corresponding to 31/07/2003G).
Insurance Regulations	Insurance Law and its Implementing Regulations and any subsequent amendments thereto.
Kingdom or Saudi Arabia or KSA	Kingdom of Saudi Arabia.
License	SAMA License.
Listing Rules..	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G).

Management	The Management team of SABB Takaful.
MoCI	Ministry of Commerce and Industry in the Kingdom of Saudi Arabia.
Tawuniya	The Company for Cooperative Insurance.
Offer Price	SAR 12.5 per share.
New Shares	24,000,000 ordinary shares of SABB Takaful**.**
Offering or Rights Issue	The issuance and sale of 24,000,000 New Shares to Eligible Shareholders.
Offering Period	The period starting from Saturday 24/08/1430H (corresponding to 15/08/2009G) up to and including Wednesday 05/09/1430H (corresponding to 26/08/2009G).
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia.
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules.
PentaSoft Malaysia SDN BHD	A Malaysian Company that provides business technology solutions and services to corporations around the world.
Person	A natural Person.
Prospectus	This document prepared by the Company in relation to the Offering.
SABB..	The Saudi British Bank.
SABB Takaful or the Company....................	SABB Takaful Company.
SAMA	Saudi Arabian Monetary Agency.
SAR	Saudi Arabian Riyal, the local currency of Saudi Arabia.
Receiving Banks	The Saudi British Bank, Al Rajhi Bank, National Commercial Bank, Al Jazira Bank and Samba Financial Group which are appointed by SABB Takaful as the Receiving Banks for the Rights Issue.
Shareholders	The holders of the Shares at any particular time.
Share	Fully-paid ordinary share in the Company with a nominal value of SAR 10.
Subscriber	Each Person subscribing for the New Shares**.**
Subscription Application Form	Application form to subscribe to the New Shares.
Underwriter..	Saudi Hollandi Capital, appointed by the Company to act as the sole underwriter in connection with the Offering.

2. Risk Factors

In considering an investment in the New Shares, prospective investors should carefully consider all the information contained in this Prospectus, including the risks described below. SABB Takaful's business, prospects, financial condition, results of operations and cash flows could be adversely and materially affected if any of the following risks, which the Company's Management (the "Management") currently believes to be material, or any other risks that the Management has not identified or that it currently considers not to be material, actually occur or become material risks. The trading price of the Company's New Shares could decrease due to any of these risks, and prospective investors may lose all or part of their investment.

This Prospectus also contains forward-looking statements based on risks and uncertainties. Future operating conditions may differ from the assumptions used due to some risk factors the Company encounters as mentioned below and in other parts of the Prospectus.

2.1 General Commercial Risks

2.1.1 Economic and Insurance Industry Conditions

SABB Takaful's performance depends significantly on economic conditions in Saudi Arabia and on global economic conditions that affect the economy of the Kingdom. Changes in economic conditions can affect the financial results of SABB Takaful through their effect on the insurance market conditions and investment income and through changes in consumer demand for SABB Takaful's products and services. In addition, contribution and claim trends in insurance and reinsurance markets are cyclical in nature and unpredictable events such as the occurrence of natural disasters, inflationary pressures and judicial decisions may affect the size of future claims and adversely impact the industry's profitability. SABB Takaful cannot predict the impact that future economic and industry conditions will have on its business. Future economic and industry conditions may be unfavorable, and as a result, there can be no assurance that future conditions will not materially adversely affect SABB Takaful's profitability and financial position.

2.1.2 Risk related to License withdrawal by SAMA

SABB Takaful was established pursuant to Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G). The License granted by the Saudi Arabian Monetary Agency Insurance License No. 5/20079 dated 29/08/1428H (corresponding to 11/09/2007G) authorises the Company to engage in insurance activities. The Company has been granted its License based on certain conditions, and is obliged to engage in insurance activities in accordance with Article 76 of the Implementing Regulations. SAMA shall request the license withdrawal of the Company in any of the following cases:

1. Non-compliance with the Law and Implementing Regulations.
2. Providing SAMA with false information in its licensing application
3. Conducting its business and affairs in a manner that threatens to make it insolvent or in a manner which is hazardous to its planholders, stockholders, or the public.
4. Insolvency, or insufficient assets to carry on its business.
5. Fraudulent conduct of business.
6. The paid-up capital falls below the prescribed minimum limit (25%) or failure to fulfill the solvency margin requirement.
7. The business or volume of activities falls to a limit that SAMA considers unviable for continued operations.
8. Refusal or delay of payments due to beneficiaries without just cause.
9. Refusal to be examined or to produce files for examination by SAMA.
10. Failure to implement a final judgment related to its insurance operations.

In case of the Company's failure to fulfill such requirements, its License may be withdrawn.

2.1.3 Risk related to Regulations

SABB Takaful is subject to regulation under applicable insurance laws in the Kingdom. Insurance regulation relates to authorised lines of business, capital and surplus requirements, types and amounts of investments, underwriting limitations, trade practices, policy forms, claims practices, reserve adequacy and a variety of other financial and non-financial components of an insurance Company's business.

Such regulation may limit the ability or the speed with which the Company can respond to market opportunities and may require the Company to incur significant annual regulatory compliance expenditures. Any changes in insurance laws and regulations could have a material and adverse affect on the business, financial conditions and/or operating results of the Company. If the Company does not comply with these regulations, it may be subject to penalties, including fines, suspensions and withdrawal of the Company's license to conduct insurance business, which may adversely affect the Company's financial condition and results of operations.

2.2 Risks Relating to the Company's Operations

2.2.1 Dependence on Key Personnel

The Company commenced operations with a team that is experienced in the takaful industry. The success of the Company depends upon its ability to attract and retain qualified employees and upon the ability of senior management and other key employees to fully implement its business strategy. The loss of the services of members of the senior management team or the Company's inability to attract and retain experienced personnel could impede the further implementation of the Company's business strategy, which could have a material adverse effect on the business of the Company and its profitability.

2.2.2 Adequacy of Reserves

The success of the Company depends upon Management's ability to accurately assess the risks associated with its individual and corporate clients.

The Company recognises liabilities for unpaid losses by establishing reserves in the balance sheet. These reserves represent estimates of amounts needed to pay reported losses and unreported losses and the related loss adjustment expense. Loss reserves do not represent an exact calculation of liability. Rather, loss reserves are estimates of the costs the Company expects to incur on the ultimate settlement and administration of claims. These estimates are based upon actuarial and statistical projections and on the Company's assessment of currently available data as well as estimates of future trends in claims severity and frequency and other factors. Loss reserve estimates are refined continually as experience develops and claims are reported and settled. Establishing an appropriate level of loss reserves is an inherently uncertain process.

Due to this uncertainty, it is possible that the Company's reserves at any given time will prove inadequate. If actual claims exceed the Company's reserve for losses and loss expenses, the Company may be required to increase its reserves and its financial condition and results of operations of the Company could be adversely affected.

2.2.3 Staff Misconduct

Notwithstanding the establishment of internal controls and procedures to handle staff misconduct and to protect the Company against such misconduct, the Company does not guarantee that incidents involving staff misconduct will not occur. Accordingly, any misconduct by staff might cause the Company to be in breach of any applicable law, regulation or rule and attract disciplinary penalties and financial liabilities and/or reputation damages. Such misconduct might occur in any field of the business and could include:

- Committing the Company to transactions in excess of established limits.
- Misuse of information or divulgence of confidential information.
- Illegal or unsuccessful activities.
- Recommending inappropriate products or services.
- Involvement in disseminating misleading or fraudulent information or other improper information during distribution or sale of policies to customers.
- Non-compliance with applicable local laws or internal controls, policies and procedures.

As is the case for all companies, the Company cannot always control staff misconduct. The internal control policy might not succeed in controlling or preventing such misconducts, and the Company cannot guarantee that staff misconduct shall not adversely affect the Company's financial position and performance results.

2.2.4 Industry Concentration and Specialty Risks

The Company's focus is on insuring specialty risks, such as individual and commercial takaful. Therefore, the Company's operations could be exposed to competition from companies that rather provide a variety of insurance products, giving them the ability to cope with any changes in economic conditions and regulations that could affect such specialty industries. Any such exposure could adversely affect the Company's market share, its financial condition and its results of operations.

The Company's ability to diversify its product offerings in the future will depend on a number of factors, some of which may be beyond its control, including the Company's ability to obtain SAMA's approval of any expansion in the scope of business and/or class of insurance products offered.

2.2.5 Investment Risk

The operating results of SABB Takaful depend partially on the performance of its invested assets, which consist of shareholders' funds and the takaful operations' fund. The Company has an investment agreement with a reputed asset manager, HSBC Saudi Arabia Limited, which is limited to Shariah-compliant instruments in the Kingdom. The investment results are subject to a variety of investment risks relating to general economic conditions, market volatility, commission rate fluctuations, liquidity risk and credit and default risk.

To mitigate against the aforementioned risks, SABB Takaful monitors the risks, performance of its investments and its asset allocation strategy on a regular basis through consultation with HSBC Saudi Arabia Limited. Moreover, Investment Committee meetings are held every quarter to assess current and evaluate potential risks, the results of which are carefully scrutinised during quarterly Asset and Liability Committee meetings and also reported to the Risk Management Department of the Company. However, to the extent that the Company is unsuccessful in correlating its investment portfolio with its liabilities, it may be forced to liquidate its investments at times and prices that are not optimal, which could have a material adverse effect on the financial condition and results of operation of the Company.

2.2.6 Source of Funds

The future capital requirements of SABB Takaful depend on many factors, including its ability to write new business successfully and to establish contribution rates and reserves at levels sufficient to cover losses. The Company may need to raise additional funds through financings or curtail its growth and reduce its assets. Any equity financing, if available, may be on terms that are not favourable to the Company. If the Company cannot obtain adequate capital, its business, results of operations and financial condition could be adversely affected.

2.2.7 Technology Risk

SABB Takaful benefits from an agreement entered into between SABB and PentaSoft Malaysia SDN BHD pursuant to which a license was obtained to setup and operate a centralised integrated technology system for the purpose of underwriting, finance, policy issuance, servicing and claims administration. The business and future prospects of the Company are dependent on the ability of the technology system to process a large number of transactions in a timely and uninterrupted manner, especially at a time when transaction processing has become increasingly complex with the volume of such transactions growing at a considerable rate.

Any disruption in use of the technology system would hinder the Company from carrying out its underwriting, policy issuance, servicing and claims administration activities. There can be no assurance that the Company's business activities would not be materially impacted in the event of a partial or complete breakdown of any of the main information technology or communications systems. This could be triggered by software bugs, computer virus attacks or conversion errors due to system upgrading. However, in an event of a system breakdown and should the Company's primary site be rendered inoperative, SABB Takaful has a Business Recovery Plan and a contingency site that would allow operations to continue at a reduced rate. If the Business Recovery Plan and contingency site were compromised, the Company would need to resort to manually processing its policies and claims which would lead to less efficiency and the possibility of a decrease in contribution volume. In addition, a prolonged breakdown of the information technology system could result in the loss of existing or potential business relationships and could adversely affect the Company's profitability and future prospects.

2.2.8 Ongoing Concern of Technology System Vendor

SABB Takaful is dependent on PentaSoft Malaysia SDN BHD as its technology system vendor for ongoing support, maintenance and service. The Vendor is subject to its own mechanisms to ensure it generates or raises sufficient resources to stay operational. SABB Takaful cannot guarantee that the vendor has appropriate mechanisms in place to guarantee its financial performance and ongoing concern. A material event which negatively affects the ongoing concern of the Vendor may have a material adverse effect on the business of SABB Takaful.

2.2.9 Shariah Advisory Committee Approval

All SABB Takaful products and investments have been approved by the Company's Shariah Advisory Committee. All future products must be reviewed and approved by the Shariah Advisory Committee before these can be marketed. In doing so, each member of the Shariah Advisory Committee must employ his interpretative efforts in accordance with methodological rules and/or principles of Islamic jurisprudence. While various Islamic schools of thought agree on the general methodology and the basic principles of interpretation, they may disagree on particular rules.

In the event that any issues are called into question relating to the extent of Shariah compliance of Committee-approved products offered by SABB Takaful, the focus of the Company's management and its financial resources could be diverted and the Company's reputation with customers could be adversely affected. This may occur even if the Company's products have previously received approval or clearance by SAMA.

2.2.10 Sole Agent Risks

The Company entered into a Takaful Agency and Sales Agreement with SABB Insurance Agency Company Limited to sell its products. Currently, SABB Insurance Agency Company Limited is SABB Takaful's major and quasi-sole distributor, which poses a distribution and concentration risk as the Company cannot make any assurances that SABB Insurance Agency Company Limited will be able to attract new customers in the future or retain existing customers. The loss of a substantial portion or all of the customers obtained by SABB Insurance Agency Company Limited could have a material adverse effect on the Company's sales volumes and thus ability to meet financial targets.

2.2.11 Unpredictable Catastrophic Events

Unpredictable events that occur due to natural and unnatural catastrophes can have a direct effect on the performance of companies that provide insurance on property, since such companies may encounter an increase in claims due to hurricanes, floods, earthquakes, tornados, fire, bombings, terrorism and other events. Therefore, and due to such unpredictable events, the increase in claims encountered by the company may cause volatility to its financial results and affect its financial condition.

2.2.12 Reinsurance Risk

In order to mitigate risks of insurance coverage, insurance companies rely on reinsurance agreements with international and local companies. In return, such insurance companies pay fees pertaining to reinsurance services. Fluctuations in the reinsurance market may cause significant increase in reinsurance fees which in turn could have an adverse effect on SABB Takaful's profitability. Moreover, it cannot be guaranteed that reinsurers will not fail to pay valid claims, which would affect the Company's financial situation, its relationship with clients and its future profitability.

Moreover, reinsurance availability, size and costs are subject to prevailing market terms which are generally beyond the company's control, since the Implementing Regulations require the following:

- Insurance companies must retain at least 30% of total premiums underwritten.
- Insurance companies must reinsure 30% of total premiums reinsured inside the Kingdom of Saudi Arabia.

In case the Company fails to maintain its relationship with reinsurers or its ability to substitute them, its exposure to risk will increase and its ability to increase business will be limited. In addition, the Company is subject to credit risks pertaining to reinsurers, since risks associated with reinsurers do not hold the Company free from its obligations towards its clients.

2.2.13 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risks posed to the Company may be in the form of reinsurers' share of outstanding claims which are not settled or not settled on time, outstanding contributions receivables from customers and the failure of counterparties with whom the Company holds investments for shareholders' assets, such as Sukuks. SABB Takaful has various policies to limit its credit risks including limiting credit terms extended to corporate clients, engaging in reputable reinsurers with a minimum foreign currency rating of BBB, an effective collection policy and a diversified investment strategy with limited exposures in any one investment. However, inaccurate estimates, unpredictable market conditions, and a lack of assurance that reinsurers will adhere to valid claims could have a material adverse impact on the Company which may affect the Company's financial condition and results of operations.

2.2.14 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may arise from gaps between the maturity profiles of various investments held by the Company versus obligations to meet liabilities in a timely manner. Although liquidity requirements are monitored on a daily basis and Management ensures sufficient funds are available to meet any commitments as they arise, the Company cannot make any assurances that unpredictable and drastic market and catastrophic events will not have a material adverse impact on the Company's liquidity position, which may affect the Company's financial condition and operating performance.

2.2.15 Exchange Rate (Currency) Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. All of the Company's assets, investments, revenues and liabilities are denominated in the local currency, Saudi Arabian Riyal. However, should SABB Takaful issue policies and collect contributions in a foreign currency, an exchange rate risk would materialise, the extent of which would be dependent on the Company's hedging strategy and size of exposure. In this situation, significant fluctuations in the exchange rate could have a material adverse effect on the Company's financial performance.

2.2.16 Management Decisions

The Management of SABB Takaful has extensive experience and knowledge in the domestic and international insurance business. As is the case for any company, business results mainly rely on the ability of the management team to make proper and accurate decisions concerning all aspects related to the company's business and operations. Prior to making decisions, SABB Takaful's management assesses all issues thoroughly and estimates their future effect on the Company. In case the Company makes an inaccurate decision with regard to its business, this may have a negative effect on the Company's performance, profitability and business operations.

2.2.17 Trade Mark Protection

SABB Takaful depends on its trademark to offer, sell and promote its products in the Kingdom of Saudi Arabia. The Company has signed a license agreement with HSBC Holdings Plc. to adopt the HSBC trademark hexagon logo (see "Trademark, Patents and Other Intellectual Properties" section on page "77"). As per this agreement, SABB Takaful shall maintain a strict quality control standard over the trademark and all of its activities in regards to the use of said trademark and shall comply with the terms of the agreement. In case SABB Takaful does not comply with the terms of the agreement or in case the reputation of the trademark is damaged, SABB Takaful may lose the right to use the trademark which may have an adverse impact on the Company's business, profitability and results of operations.

2.3 Risks Relating to the Market

2.3.1 Competition

The Company's competitive position is based on many factors including its perceived financial strength, geographic scope of business, client relationships, contributions charged, policy terms and conditions, products and services offered including the ability to design customised programs, speed of claims payment, reputation, experience and qualifications of employees and local presence.

The entrance of other companies and potential mergers and acquisitions in the industry will result in an increase in competition. This could result in lower contribution rates and less favourable policy terms and conditions, which could have a material adverse impact on the Company's growth and profitability.

2.3.2 License Approvals for New Products

If the Company is unable to obtain regulatory approval for its new products in a timely manner, its ability to generate revenue could be impacted.

The Company must successfully obtain approval and receive licenses for its products from SAMA in order to issue policies in the Kingdom. The Company will be unable to generate contribution revenue until policies are written, and any regulatory delays in the Company's ability to write policies could lead to an impediment in its ability to generate additional amounts of revenue.

2.3.3 Solvency Requirements

As per the Insurance Regulations, SABB Takaful will need to maintain a minimum solvency level. The Company's solvency level is affected primarily by the technical reserve that it is required to maintain, which in turn is affected by the volume of insurance policies sold and by regulations on the determination of statutory reserves. It is also affected by a number of other factors, including the profit margin of products, return on investments, underwriting and acquisition costs. If the Company grows rapidly, or the statutory solvency level is increased in the future, it may be necessary for the Company to raise additional capital to meet solvency requirements, which could be dilutive. If the Company is unable to raise additional capital, it may be compelled to reduce the growth of its business operations and may not be able to declare dividends. Moreover, if the Company incurs negative profit margins, losses on investments, or an overall net loss, it may not be able to meet the required solvency requirements which could adversely affect the Company's results of operations and financial condition, or lead to the withdrawal of the Company's license by SAMA.

2.3.4 Reporting Requirements

SABB Takaful is required to file periodical financial statements and annual reports, prepared on a statutory accounting basis, and other information with SAMA, including information concerning the Company's general business operations, capital structure, ownership and financial condition. The Company files such reports on a regular basis as per SAMA's requirements, however, it could be subject to regulatory actions, sanctions and fines if SAMA believes that the Company has failed to comply with any applicable law or regulation. Any such failure to comply with applicable laws could result in the imposition of restrictions on the Company's ability to do business or penalties and presents a reputational risk, which could adversely affect the Company's results of operations and financial condition.

2.3.5 Litigation

In the ordinary course of its business, SABB Takaful may pursue litigation claims against third parties and may also have litigation claims filed against it. Litigations may arise due to several reasons such as payment default, non-compliance to contracts and planholder disputes to claims. Future litigation could adversely affect SABB Takaful's financial position and reputation.

2.3.6 Unsuccessful Corporate Development or Expansion

SABB Takaful's corporate development strategy is to expand its lines of business and introduce new products in Saudi Arabia and potentially the region. The Company's ability to carry out this strategy is reliant on the quality of its Management, and will also be subject to a number of factors beyond its control, including government regulation and actions of regulatory agencies and the level of competition in the market. There can be no assurance that the Company will be successful in growing its takaful business, or that such operations will be profitable.

2.3.7 Saudisation Requirements

SABB Takaful achieved a Saudisation percentage of 75% out of 73 employees in 2008G. As per the requirements of the Ministry of Labor and Article (79) of the Implementing Regulations of the Law of Supervision of Cooperative Insurance, companies with more than 20 employees must maintain a Saudisation level of at least 30%. If the Saudisation level at the Company falls below the stipulated percentage, the Company may be subject to penalties including suspension of the issue of new work permits, suspension of sponsorship transfer of non-Saudi staff, ban from bidding for government projects and restrictions on obtaining loans and other government incentives. Such penalties may adversely affect the Company's operations, financial performance and ability to meet commitments.

2.4 Risks Relating to the Rights Issue Shares

2.4.1 Possible Fluctuations to the Share Price

The price of the New Shares may be subject to a high degree of fluctuation due to several factors including, without limitation, market conditions, any regulatory changes in the industry, deterioration of the Company's operations results, inability to carry out future plans, entry of new competitors and speculation over the Company's operations. There is no guarantee that the value of the New Shares will increase immediately after listing in the stock market.

2.4.2 Dividends

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves, available credit of the Company, general economic conditions and other factors that the Directors of the Company deem significant from time to time. The Company does not guarantee, and may not make, any dividend payments to shareholders on continuous basis.

2.4.3 Effective and Actual Control of the Founding Shareholders

Shareholders who possess a large number of the Company's shares will enable them together to exercise control on aspects that require shareholders consent including merger and acquisition transactions, asset sales, election of Board of Directors, prevention of effecting any change in the Company and issuance or non-issuance of additional shares. In addition, SABB Takaful deals with related parties who own large stakes in the Company. Accordingly, shareholders can exercise this control in a manner that could have impact on the Company's business, its financial position and result of its operations.

2.4.4 Block Sales of Shares

The sale of a large number of the Company's shares (block sale) in the stock market after subscription or expectation of such sales may negatively affect the prices of these shares in the market.

2.4.5 Earnings per Share

Following the Rights Issue and increase in capital and number of shares, the earnings per share of SABB Takaful may be affected since the earnings of the Company will be divided by a larger number of shares. SABB Takaful does not guarantee the distribution of any specific dividends after the capital increase.

3. Saudi Arabian Insurance Market

The market and industry information herein are derived from publicly available sources including the Saudi Arabian Monetary Agency (SAMA), the Central Department of Statistics and Information, Arab News Newspaper, the U.S. Energy Information Administration, SwissRe Sigma, Jadwa Investment Company, Global Investment House and Tadawul. No statements made by an expert have been provided to the Company.

3.1Macroeconomic Summary

As holder of approximately one fifth of the world's proven oil reserves[1] and the second-largest producer and largest exporter of crude[2], high oil prices have benefited the Kingdom in light of the solid economic growth over the past few years. Following the increase in the Saudi Arabia's average oil prices from USD25.24 per barrel in 2003G to USD 66.81 in 2007G[3], the economy grew at a Compounded Annual Growth Rate (CAGR) of 3.5% over the same period. Up to the sharp intensification of the global financial crisis in September 2008G, Saudi Arabia's key challenge lay in the balance of economic growth and inflation. Inflation rates rose above 10% for the first time since the late 1970Gs climbing to 11.1% in July 2008G[4].

The global financial crisis has had implications for the local economy. Most notably, oil prices decreased dramatically from a high of USD 145 per barrel in early July 2008G to USD 40 per barrel in early December 2008G. Moreover, despite SAMA's decrease in the repurchase rate to 2.5% in December 2008G and lowering the cash reserve requirement for commercial banks to 7.0% in November 2008G, financial institutions continue to take a cautious approach towards lending[5].

While the decrease in oil prices has clear negative impacts on the economy, (oil revenues account for over 85% of the Saudi Governments' revenue)[6] and while the restrictive lending may affect growth, other impacts of the financial crisis serve to benefit the Kingdom. Primarily, the drop in a range of commodity prices may serve to dampen the inflation rate and reduce costs of the Government's ambitious projects to continue diversifying the economy through development and growth in the country's non-oil sectors.

Global economic conditions may affect the pace of growth of the country in the short-term but has not derailed the local economy. The country is positioned to withstand the economic and financial conditions as underlying economic fundamentals remain strong due to reforms and the investment boom of the last few years.

3.2 Industry Background and Overview

Up to the 1970Gs, the Saudi Arabian insurance industry grew from insurance activities related to import services and the oil and energy sectors. Concentration was placed on corporate insurance solutions as opposed to individuals. The concept of insurance was not well accepted on the basis of certain religious grounds until the concept of "cooperative insurance" came to light, via the Law on Supervision of Cooperative Insurance Companies, which was in line with Shariah principles.

In 1986G, the Government approved the cooperative principles of insurance through the establishment of the Company for Cooperative Insurance (Tawuniya). Although Tawuniya was established to meet local insurance needs, a large number of small and medium-sized cooperative or commercial insurance companies continued to sell products in the Kingdom through intermediaries, international brokers and agents.

Mid-2003G marked a significant turning point for the industry as the government introduced a new set of rules in the Law on Supervision of Cooperative Insurance Companies. These rules included the requirements for companies to obtain a license in order to operate; capital requirements for licensing (SAR 100 million and SAR 200 million for insurers and reinsurers respectively coupled with a 10% statutory deposit); and companies had to float a minimum of 25% of their equity via an initial public offering. According to Article 2 of the Law on Supervision of Cooperative Insurance Companies, SAMA was assigned all powers necessary to ensure implementation of the Regulations.

The Insurance Regulations impacted the entire insurance industry in the country requiring it to restructure and reform. In December 2004G, Tawuniya became the first cooperative insurance company to obtain its license and subsequently floated 60% of its equity to the public. The Insurance Regulations called for the elimination of insurance companies operating in the Kingdom who did not apply for licenses or meet the licensing requirements. This was particularly impactful among smaller players who were compelled to end operations. In April 2004G, the Council of Ministers offered a three-year grace period for companies that had been working in the country through agents (conventional insurance companies) without a license.

With consolidation and change in the industry underway, the government opened up the insurance market to foreigners (initially limited to 60% equity in insurance businesses, now reduced to 49%) with the accession of Saudi Arabia to the World Trade Organisation on 11 December 2005G. Foreign investors began seeking joint-stock companies ready-made for IPOs.

1 U.S. Energy Information Administration, http://www.eia.doe.gov/emeu/cabs/Saudi_Arabia/Oil.html (August 2008G)
2 U.S. Energy Information Administration, http://www.eia.doe.gov/emeu/cabs/Saudi_Arabia/Oil.html (August 2008G)
3 U.S. Energy Information Administration, http://tonto.eia.doe.gov/dnav/pet/pet_pri_wco_k_w.htm (September 2008G)
4 Jadwa Investment Company Saudi Arabia, Monthly Bulletin, December 2008G
5 Jadwa Investment Company Saudi Arabia, Monthly Bulletin, December 2008G
6 Global Investment House "Global", Economic Report, January 2009G

3.3 Insurance Companies in the Kingdom

In 2005G SAMA was in the process of reviewing the applications of around 30 insurance companies. Final approval was granted from the ministry in respect of licenses for 15 insurance companies (in addition to Tawuniya) during Ramadan 2006G. As of March 2009G, 21 companies were listed in the Saudi stock market and eight companies had either pending license or floatation:

Listed Insurance Companies	
The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MedGulf)	The Company for Cooperative Insurance (Tawuniya)
Saudi Arabian Cooperative Insurance Company (SAICO)	Malath Cooperative Insurance & Reinsurance Company
SABB Takaful Company	Al Ahli Takaful Company (ATC)
Saudi IAIC for Cooperative Insurance (SALAMA)	Arabian Shield Cooperative Insurance Company
Saudi Fransi Cooperative Insurance Company (Allianz SF)	Gulf Union Cooperative Insurance Company
Sanad Insurance & Reinsurance Cooperative Company (SANAD)	Trade Union Cooperative Insurance Company
Saudi Indian Company for Cooperative Insurance	Al Sagr Company for Cooperative Insurance
Saudi United Cooperative Insurance (Wala'a)	Arabia Insurance Cooperative Company
Saudi Re For Cooperative Reinsurance Company	BUPA Arabia for Cooperative Insurance
Al Ahlia Cooperative Insurance	Allied Cooperative Insurance Group (ACIG)
United Cooperative Assurance (UCA)	

Source: SAMA, as of March2009G

Companies pending license or floatation	
Al Rajhi Company for Cooperative Insurance*	Ace Arabia Cooperative Insurance Company*
Wiqaya Takaful Insurance & Reinsurance Company*	AXA Cooperative Insurance Company*
Buruj Cooperative Insurance Company	Al Alamiya for Cooperative Insurance
Solidерity Saudi Takaful Company	Gulf General Insurance Company

Source: SAMA ,as of March 2009G

* *The Listing of the companies through an Initial Public Offering was approved by CMA on 02/03/2009G and the subscription period was set to begin from 18/04/2009G to 27/04/2009G.*

3.4 Key Facts and Figures

The insurance market in the Kingdom of Saudi Arabia grew at a CAGR of 19% during the period from 2005G to 2007G. The expansion of compulsory motor and health insurance have been the main growth drivers behind the industry. The following table presents the gross written premiums by insurance lines:

Gross Written Premiums by Insurance Lines

(SAR Millions)	2007G		2006G		2005G		
	Premiums	*% of Total*	Premiums	*% of Total*	Premiums	*% of Total*	CAGR
Health	3,065	*36%*	2,222	*32%*	1,370	*27%*	31%
Motor	2,440	*28%*	1,920	*28%*	1,587	*31%*	15%
Property	742	*9%*	769	*11%*	644	*12%*	5%
Accident, Liability & Other	577	*7%*	580	*8%*	424	*8%*	11%
Marine	532	*6%*	431	*6%*	382	*7%*	12%
Engineering	480	*6%*	544	*8%*	296	*6%*	17%
Protection & Saving	327	*4%*	218	*3%*	193	*4%*	19%
Energy	305	*3%*	127	*2%*	122	*2%*	36%
Aviation	115	*1%*	126	*2%*	135	*3%*	(5%)
Total	**8,583**	***100%***	**6,937**	***100%***	**5,153**	***100%***	**19%**

Source: SAMA, The Saudi Insurance Market Survey Report 2007G

During the period from 2005G to 2007G, Gross Written Premiums (GWP) grew from SAR 5.2 billion in 2005G to SAR 6.9 billion in 2006G to SAR 8.6 billion in 2007G, at a CAGR of 19%. Broken down by line of business, in 2007G, 64% of total GWP was generated by both health and motor insurance. However, in 2007G, the fastest growing lines were Energy and Protection & Savings insurance which registered growth rates of 140% and 50% respectively.

Penetration: The industry saw a steady growth in penetration (GWP as a percentage of GDP) from 0.53% in 2006G to 0.61% in 2007G with General insurance capturing the greatest penetration. On a per capita basis (insurance density), an average of SAR 354 was spent on insurance in the Kingdom in 2007G which represented a 21% growth from SAR 293 in 2006G.

Although Saudi Arabia has the largest insurance market in the region, overall levels of insurance penetration and density are comparatively low against other countries, this translates into a largely untapped market with significant potential. In 2007G, insurance density in industrialised countries amounted to USD 3,577 (SAR 13,414) while insurance penetration was at 9%[7].

Per the Saudi Arabian Monetary Agency 2007G Saudi Insurance Market Survey Report, in 2007G, the top eight insurance companies accounted for 61.7% (or SAR 5.3 billion) of total Gross Written Premiums (SAR 8.6 billion), while the remaining 34 insurance companies accounted for the balance of 38.3% (or SAR 3.3 billion) of total Gross Written Premium.

Gross Written Premiums by Company (SAR Millions)

	2007G		2006G		2005G	
Ranking	**Premiums**	***Market Share***	**Premiums**	***Market Share***	**Premiums**	***Market Share***
1	1,911	*22.3%*	1,750	*25.6%*	1,504	*29.2%*
2	1,014	*11.8%*	829	*12.1%*	599	*11.6%*
3	544	*6.3%*	430	*6.3%*	292	*5.7%*
4	473	*5.5%*	414	*6.0%*	200	*3.9%*
5	380	*4.4%*	251	*3.7%*	274	*5.3%*
6	336	*3.9%*	274	*4.0%*	173	*3.4%*
7	322	*3.8%*	257	*3.8%*	168	*3.3%*
8	315	*3.7%*	238	*3.5%*	198	*3.8%*
Remaining 34 Companies	3,288	*38.3%*	2,394	*35.0%*	1,746	*33.8%*

Source: SAMA, The Saudi Insurance Market Survey Report 2007G

In 2008G, eight of the 21 listed companies posted their Gross Written Premiums on Tadawul. For the four quarters of 2008G, Gross Written Premiums stood at SAR 3 billion as follows:

Listed Entities with Recorded Gross Written Premiums in 2008G (SAR '000)

Insurance Company	1Q 2008G	2Q 2008G	3Q 2008G	4Q 2008G	Total
The Company for Cooperative Insurance (Tawuniya)	512,107	727,130	535,085	574,506	2,348,828
Saudi IAIC for Cooperative Insurance (SALAMA)	37,743	48,655	52,448	65,013	203,859
SABB Takaful Company	17,272	31,626	81,136	64,149	194,183
Malath Cooperative Insurance & Reinsurance Company	19,790	13,054	36,827	60,740	130,411
Saudi Fransi Cooperative Insurance Company (Allianz SF)	-	35,006	21,802	18,170	74,978
Sanad Insurance & Reinsurance Cooperative Company (SANAD)	-	-	1,297	26,015	27,312
Saudi Indian Company for Cooperative Insurance	-	-	1,038	11,019	12,057
Al Ahli Takaful Company (ATC)	-	700	1,014	4,732	6,446
Total	**586,912**	**856,171**	**730,647**	**824,344**	**2,998,074**

Source: Tadawul , as of April 2009G

7 SwissRe Sigma, Report No. 3/2008G

Of the insurance companies listed on Tadawul, their respective products are listed below:

Product Lines of Listed Entities	
Insurance Company	**Offered Insurance Products**
The Company for Cooperative Insurance (Tawuniya)	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering; Marine; Aviation; Energy
SABB Takaful Company	Property/Fire; Accident & Liability and Other; Marine; Protection & Savings
Malath Cooperative Insurance & Reinsurance Company	Motor; Health; Property/Fire; Engineering; Marine; Aviation; Energy
Saudi Fransi Cooperative Insurance Company (Allianz SF)	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering; Marine; Protection & Savings
Saudi IAIC for Cooperative Insurance (SALAMA)	Motor; Health; Property/Fire; Engineering; Marine; Aviation
Sanad Insurance & Reinsurance Cooperative Company (SANAD)	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering; Marine; Protection & Savings
Saudi Indian Company for Cooperative Insurance	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering
Al Ahli Takaful Company (ATC)	Protection & Savings
The Mediterranean & Gulf Cooperative Insurance & Reinsurance (MedGulf)	Motor; Health; Property/Fire; Accident & Liability and Other; Marine; Aviation; Protection & Savings
Saudi United Cooperative Insurance (Wala'a)	Health; Accident & Liability and Other; Marine; Protection & Savings
Arabian Shield Cooperative Insurance	Motor; Accident & Liability and Other
Gulf Union Cooperative Insurance Company	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering; Marine; Protection & Savings
Al Ahlia Cooperative Insurance	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering
Allied Cooperative Insurance Group (ACIG)	Motor; Health; Accident & Liability and Other; Engineering
Trade Union Cooperative Insurance Company	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering; Marine
Al Sagr Company for Cooperative Insurance	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering; Marine; Protection & Savings
United Cooperative Assurance (UCA)	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering; Marine
Saudi Re For Cooperative Reinsurance Company	Motor; Health; Property/Fire; Accident & Liability and Other; Engineering; Marine; Aviation; Energy; Protection & Savings
BUPA Arabia for Cooperative Insurance	Health
Arabia Insurance Cooperative Company	Motor; Property/Fire; Accident & Liability and Other; Engineering; Marine

Source: Websites of the mentioned companies, as of April 2009G

3.5 Compulsory Motor and Health Insurance

Legislation is a powerful tool in enhancing awareness for as yet, a market still in its infancy. This is particularly applicable for the mandatory motor and health insurance legislations passed by the Saudi government.

A number of 6,358 people were killed and 36,025 others left injured in 2008G by traffic accidents throughout the Kingdom[8]. In 2001G, the cabinet passed a resolution mandating compulsory third-party insurance, linking it to driving licenses. With a subsequent amendment, currently all registered vehicles in the country are obliged to have insurance.

The Government passed legislation in 1999G, rendering private medical insurance compulsory for foreign residents. Implementation of the policy was slow. However, a major drive began in 2006G. The objective behind the legislation was to make health coverage a necessary part of obtaining or renewing work and residency permits for the Kingdom's estimated 6.5 million expatriate population in 2007G[9]. Notwithstanding a slow start, recent pushes expedited the legislation's implementation by segregating it into three phases in the following order:

1. In 2006G - implementation for employers with more than 500 foreign staff
2. In 2007G - implementation for employers with between 100 and 500 foreign staff
3. In 2008G - implementation for companies employing less than 100 foreign staff

Health and motor insurance accounted for 64% of total GWP in 2007G with health insurance remaining the largest line of business in 2006G and 2007G accounting for 36% of total GWP in 2007G vs. 32% in 2006G.[10]

8 Arab News Newspaper, http://arabnews.com/?page=1&section=0&article=117736&d=2&m=1&y=2009 (January 2009G)
9 Central Department of Statistics and Information, Saudi Arabia, Demographic Survey 2007G
10 SAMA, The Saudi Insurance Market Survey Report 2007G

4. The Company "SABB Takaful"

4.1 Introduction

SABB Takaful Company is a Saudi Joint Stock Company established pursuant to Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G). The Company commenced its first fiscal year subsequent to the issuance of Ministerial Resolution No. 108 dated 27/04/1428H (corresponding to 15/05/2007G) declaring the incorporation of the Company. The Company operates under Commercial Registration No. 1010234032 issued in Riyadh city dated 20/05/1428H (corresponding to 06/06/2007G) and the Saudi Arabian Monetary Agency Insurance License No. 5/20079 dated 29/08/1428H (corresponding to 11/09/2007G). The License authorises the Company to engage in protection and savings, general and miscellaneous insurance activities.

The paid-up share capital of the Company is SAR 100,000,000 consisting of 10,000,000 shares with a nominal value of SAR 10 each of which 6,500,000 shares were issued against cash contributions by the Founding Shareholders representing 65% of the Company's share capital (see "Capital Structure" section on page "16"). The balance of 3,500,000 shares (35%) was issued to the public via an initial public offering held from 27/02/1428H (corresponding to 17/03/2007G) until 08/03/1428H (corresponding to 26/03/2007G), at an Offer Price of SAR 10 per share.

The Company combines the traditional and valued service of SABB and the global network of resources and expertise of the HSBC Group to offer Family Takaful (protection and savings insurance) and General Takaful solutions to individual and corporate customers. The Company has focused on the pure 'banctakaful' (bancassurance) model whereby sales are made through the existing branch distribution network of SABB via a Takaful Agency and Sales Agreement with SABB Insurance Agency Company Limited. Overtime the Company plans to setup its own sales force, which would also include ladies, to cater for the insurance needs of all the market segments.

4.2 Vision and Mission Statement

Vision

"To be recognised as the leading and trusted Takaful provider, operating in full harmony with the principles of Shariah."

Mission Statement

"To utilise our global expertise and local knowledge to provide our customers with tailored, innovative and inspiring Shariah-compliant Takaful solutions."

4.3 Awards

SABB Takaful Company was awarded Euromoney's Best Takaful Provider for 2009G in the Euromoney Islamic Finance Awards 2009G. The award is in recognition of significant achievements in both Life (Family) and Non-Life (General) takaful.

4.4 Business Strategy

SABB Takaful provides a range of Shariah-compliant Family and General Takaful products for individuals and commercial segments. By becoming one of the first licensed takaful companies in the market, SABB Takaful aims to capitalise on growing consumer preference towards Shariah-compliant takaful products.

A key pillar of the business strategy is Shariah compliance and the maintenance of the highest Shariah credentials. SABB Takaful's products are reviewed and approved by its Shariah Advisory Committee.

For the individual segment, SABB Takaful focuses on the provision of Family Takaful products aimed predominantly at meeting customers' needs for education, saving, retirement and investment. These solutions incorporate both a savings element and a protection amount for dependents of the planholder in the event of death or permanent disability. The Company also provides General Takaful products to provide cover for travel, personal accident and home and contents.

For corporate and commercial customers, SABB Takaful provides General Takaful Products for the protection of marine cargo, property and against fire. Family Takaful products, which provide protection for the planholder's dependents in the unfortunate event of death, permanent disability or accidents, are also provided as group plans.

A "banctakaful" model is adopted using the unique distribution franchise of SABB through SABB Insurance Agency Company Limited. SABB has over 80 branches Kingdom-wide (including 15 exclusive ladies' sections), 24x7 call centers and advanced internet capability. Over the medium term, SABB Takaful will develop its own distribution capabilities by having its own sales force.

SABB Takaful aims to incorporate the latest technology and market practices to service its clients. These include leveraging mobile phone and internet technology as well as takaful "best practice" which are imported from the HSBC Group.

4.5 Capital Structure

The paid-up share capital of the Company is SAR 100,000,000 consisting of 10,000,000 shares with a nominal value of SAR 10 each, of which 6,500,000 shares were issued against cash contributions by the Founding Shareholders representing 65% of the Company's share capital. The balance of 3,500,000 shares (35%) was issued to the public via an initial public offering ("IPO") held from 27/02/1428H (corresponding to 17/03/2007G) until 08/03/1428H (corresponding to 26/03/2007G), at an Offer Price of SAR 10 per share. No privileges or rights have been granted by the Company to the Founding Shareholders, or to any other person.

Founding Shareholders of SABB Takaful

Name	Percentage	Number of Shares	Par Value (SAR)
The Saudi British Bank	32.5%	3,250,000	32,500,000
HSBC Asia Holdings B.V.	31.0%	3,100,000	31,000,000
Canada Square Nominees (U.K.) LTD.	0.50%	50,000	500,000
Canada Water Nominees (U.K.) LTD.	0.50%	50,000	500,000
Canada Crescent Nominees (U.K.) LTD.	0.50%	50,000	500,000
Public	35.0%	3,500,000	35,000,000
Total	**100.0%**	**10,000,000**	**100,000,000**

Source: SABB Takaful

4.6 Shareholders Holding 5% or Above

The following table presents shareholders holding 5% or above as at 31/12/2008G:

Shareholders holding 5% or above

Name	Percentage	Number of Shares	Par Value (SAR)
The Saudi British Bank	32.5%	3,250,000	32,500,000
HSBC Asia Holdings B.V.	31.0%	3,100,000	31,000,000
Total	**63.5%**	**6,350,000**	**63,500,000**

Source: SABB Takaful

4.7 Indirect Ownership

The following table presents the indirect ownership of the Company as at 31/12/2008G:

Indirect Ownership in SABB Takaful

Founding Shareholder	Indirect Major Shareholder	Indirect Ownership	Beneficial Ownership
The Saudi British Bank	HSBC Holdings B.V. (40%)	13.0%	HSBC Group
	Public (60%)	19.5%	Public
HSBC Asia Holdings B.V.	HSBC Asia Holdings U.K.(100%)	31.0%	HSBC Group
Canada Square Nominees (U.K.) LTD.	FTG Limited (100%)	0.5%	HSBC Group
Canada Water Nominees (U.K.) LTD.	FTG Limited (100%)	0.5%	HSBC Group
Canada Crescent Nominees (U.K.) LTD.	Canada Square Nominees (U.K.) LTD. (0.067%)	0.000335%	HSBC Group
	Forward Trust Personal Finance LTD. (99.933%)	0.499665%	

Source: SABB Takaful

4.8 Products and Services

SABB Takaful is a composite takaful Company with operations in Shariah-compliant Family and General Takaful. The Company commenced its operations on 15/05/2007G with products to cater for both individual and corporate needs. All SABB Takaful products are reviewed and approved by SABB Takaful's Shariah Advisory Committee with all monies invested through Shariah-compliant funds such as the HSBC Saudi Arabia Limited Amanah range of funds.

Family Takaful: Family Takaful products provide financial security in the event of death or total and permanent disability of the planholder to a designated beneficiary. Family Takaful products are available for both individuals and commercial clients.

General Takaful: General Takaful products provide protection to the planholder against losses from any particular event. General Takaful products are available for both individuals and commercial clients.

SABB Takaful does not have any assets or trading/commercial activities outside the Kingdom of Saudi Arabia.

4.8.1 Takaful Basis of the Company's Model

The term 'Takaful' means "guaranteeing each other" in Arabic, and is an Islamic system of mutual insurance built around the concept of 'tabarru' (donation or gift). 'Tabarru' contributions are made with the intention to help other participants faced with difficulties. Each participant contributes to a fund to cover expected claims, while also benefiting from a share of investment returns. SABB Takaful's role is to manage the takaful operations and invest in the takaful contributions in line with the Shariah principles. Participants share in profits of the fund with the understanding that these may be forfeited to cover losses. When there is surplus, it is jointly shared. SABB Takaful is geared to promoting the takaful business in the Kingdom and is guided by the respected Shariah Advisory Committee, which has approved the takaful model that the Company adopted.

SABB Takaful operates on the Al Wakalah model under which the risk portion (Takaful Contribution) of the total gross contribution, paid by the participant, is donated to a co-operative pool (Takaful Fund) for the benefit of all its participants. The Company acting as the pool manager (Wakeel) manages the Takaful Fund for the participants and charges fees (Wakalah charges) for these services provided.

The Takaful fund is valued periodically which results in either a surplus or deficit. A surplus may arise mainly from underwriting profits when there is a positive balance from takaful contributions after accounting for claims, reinsurance, fund related expenses/fees, reserves and investment profit/loss from the assets of the Takaful Fund. A portion of the surplus is distributed to the participants subject to approval of the Company's Board of Directors.

4.8.2 Individual Takaful

SABB Takaful provides individual Family and General Takaful solutions that comply with Shariah principles. All of the following products have been approved by SAMA.

4.8.2.1 Individual Family Takaful

Individual Family Takaful products meet individual customer needs such as financial protection of dependants in the event of death or disability of the planholder, children's education, saving for retirement and protection for the family and more. These products cater to all segments of the Saudi market and to all classes of society.

Education Takaful Plan

The Education Takaful Plan was designed to help the parent meet the costs of the children's higher education. The plan has a built-in waiver of future regular contributions in case of the unfortunate event of death or permanent disability whereby the parent is no longer able to pay the contributions.

Savings Takaful Plan

The Savings Takaful Plan is a general-purpose savings plan which provides financial protection for the family payable in the event of death of the participant.

Retirement Takaful Plan

The Retirement Takaful Plan is a long-term plan which allows individuals to save for their retirement. In the unfortunate event of death of the participant, this plan also includes an element of protection for the family.

Investment Takaful Plan

The Investment Takaful Plan is a single-contribution investment plan with the option to top-up the initial contribution at any time, switch between funds and make partial withdrawals. This plan also provides financial protection for the planholder's family payable in the event of death.

Care Takaful Plan

The Care Takaful Plan provides financial protection in the unfortunate event of premature death or disability, to an individual over an agreed time period. Contributions are convenient and fixed. The plan has no savings element and is a cost effective alternative for any segment of society.

Simple Savings Takaful Plan

The Simple Savings Takaful Plan is developed to cater for the mass market. The plan incorporates financial protection for the family in the event of the planholder's death, a reduced minimum contribution and a balanced and safe investment strategy.

4.8.2.2 Individual General Takaful

Individual General Takaful solutions protect the individual and family against unfortunate events with respect to the planholder's home property, incidences during travel and personal accident.

Travel Takaful Plan

The Travel Takaful Plan provides coverage in the event of emergencies, misadventures, travel delays and loss or theft of personal belongings. The plan will also provide emergency medical assistance overseas in the event of illness or accident while traveling.

Home Takaful Plan

The Home Takaful Plan protects the home and its contents against theft, fire, natural disasters and other perils. The protection is also extended to cover accidental injury to the domestic helper.

Personal Accident Takaful Plan

The Personal Accident Takaful Plan provides protection for the family from the financial burdens of accidental death, disability, medical expenses and repatriation expenses.

4.8.3 Commercial Takaful

SABB Takaful has the following Shariah-compliant products to cater to the needs of corporate customers. Products under the Commercial Family and General Takaful lines provide cover for death and disability of employees, business property and marine cargo.

4.8.3.1 Commercial Family Takaful (Group Takaful)

Commercial Family Takaful products provide cover for employees and their family in the event of death and total and permanent disability. Packaged as Group Takaful solutions, they meet the protection needs of groups of various nature and sizes and are ideal for corporations or institutions.

Group Care Takaful Plan

The Group Care Takaful Plan allows employers to provide financial protection for the families of their employees in the event of death. The Group Care Takaful Plan provides a lump sum benefit in the unfortunate event of death or total and permanent disability of an employee, which can help provide financial security for their family.

Group Creditor Takaful Plan

The Group Creditor Takaful Plan provides coverage for planholders (banking and other lending institutions) against outstanding loan amounts due from its customers. The Plan provides protection to the planholder in the event of death or total and permanent disability of its customers.

4.8.3.2 Commercial General Takaful

Commercial General Takaful products provide companies with cover for business protection. The provision of solutions targeted towards business property and marine cargo for unpredictable events safeguard the planholder.

Fire Takaful Plan

The Fire Takaful Plan provides financial protection against specified perils and covers loss of or damage to the covered property (residential and commercial buildings) resulting from the risks of fire, lightning, riots, strikes, malicious damage, earthquake, landslide and other perils. The benefit is payable in the event of partial or total loss of the covered property.

Property All Risks Takaful Plan

The Property All Risks Takaful Plan is an All Risks Plan covering a wider list of accidental losses, destruction or damage to covered property. The takaful benefit is payable in the event of partial or total loss of the covered property.

Marine Cargo Takaful Plan

The Marine Cargo Takaful Plan provides coverage for imports and exports of goods on either a single shipment or open cover basis.

4.8.4 Summary of Products and Services

The following table summarises the products and services of SABB Takaful:

Summary of Products and Services		
Individual Takaful	1. Individual Family Takaful	▪ Education Takaful Plan ▪ Savings Takaful Plan ▪ Retirement Takaful Plan ▪ Investment Takaful Plan ▪ Care Takaful Plan ▪ Simple Savings Takaful Plan
	2. Individual General Takaful	▪ Travel Takaful Plan ▪ Home Takaful Plan ▪ Personal Accident Takaful Plan
Commercial Takaful	1. Commercial Family Takaful (Group Takaful)	▪ Group Care Takaful Plan ▪ Group Creditor Takaful Plan
	2. Commercial General Takaful	▪ Fire Takaful Plan ▪ Property All Risks Takaful Plan ▪ Marine Cargo Takaful Plan

Source: SABB Takaful

4.8.5 Future Products

SABB Takaful continually evaluates new takaful product initiatives on the individual and commercial side/ family and general side, such as takaful covers for small and medium-sized enterprises and personal accident cover for Hajj and Umrah pilgrimages. The Company plans to expand its range of Shariah-compliant products in response to customers' needs and currently has ten products submitted to SAMA for approval. These include:

1) Hajj & Umrah Takaful Plan

The Hajj & Umrah Takaful Plan is short-term personal accident takaful plan that protects domestic and international pilgrims during the period of the Hajj and/or Umrah in the Kingdom of Saudi Arabia. The Plan covers death, total and permanent disability, and emergency medical expenses.

2) Travel Inconvenience Takaful Plan

The Travel Inconvenience Takaful Plan provides cover to the issuers' debit and credit card holders who have charged the purchase of their airline ticket or their business travel transportation expenses to their card. The coverage is against accidental death or total and permanent disability during travel, alongside coverage in the event of delayed or lost baggage and emergency medical expenses.

3) Small and Medium-sized Enterprises Takaful Package

The Small and Medium-sized Enterprises Takaful Package is a multiple cover package which provides protection to small and medium-sized enterprises in the Kingdom of Saudi Arabia. This packaged product provides small and medium-sized enterprises one single policy covering all insurance needs instead of requiring each Company to purchase these covers individually. The Plan covers property, increased cost of working, money, personal accidents, public liability, fidelity guarantee, goods in transit and business travel.

4) Al Ersaal (Remittance) Takaful Plan

The Al Ersaal Takaful Plan protects the dependants of individuals (primarily expatriates) who remit money from the Kingdom of Saudi Arabia to their domiciles on a regular basis. In the event that the remitter is met with an accident leading to death or total and permanent disability, the Plan will provide financial support to the dependants who will receive an income for one year following the accident.

5) Public Liability Takaful Plan

The Public Liability Takaful Plan provides coverage for commercial entities which covers claims arising from injury and/or damage of property of third parties which may occur during the planholder's course of business.

6) Business Interruption Takaful Plan

The Business Interruption Takaful Plan protects a business owner against losses resulting from a temporary shutdown because of fire or other insured peril operating. Generally, business interruption insurance provides reimbursement for lost net profits and necessary continuing expenses. The intention is to cover the profits the business would have earned, based on financial records, had the interruption not occurred.

7) Group Personal Accident Takaful Plan

The Group Personal Accident Takaful Plan is a personal accident plan for an organisation of persons having a common interest which allows the administrator/employer of that organisation to provide cover for their members/employees. The Plan provides protection for the participants from the financial burdens of accidental death, disability, medical expenses and repatriation expenses.

8) Group Savings Takaful Plan

The Group Savings Takaful Plan is a general purpose savings plan which allows employers to provide their employees with savings benefits. The employer must have a minimum of 10 qualifying employees. The Plan also provides financial protection for the dependants of the employee in the event of death.

9) Group Medical Takaful Plan

The Group Medical Takaful Plan allows the employer to provide health benefits to their expatriate workforce. The Plan covers medical expenses (standard benefits, in-hospital and out-patient benefits) within the Kingdom of Saudi Arabia in line with the benefits stipulated by the Council for Cooperative Health Insurance (CCHI).

10) Purchase Protection Takaful Plan

The Purchase Protection Takaful Plan protects customers of credit card companies (planholders) against theft, dispossession or accidental damage to all items purchased where payment in full or part was made using a credit card of the planholder. The protection covers costs of repair and replacements costs for the purchases.

Additional products that are in initial stages and expected to be developed in the next one to two years include: (1) Structured Investment Plan; (2) Trade Credit Insurance Plan; (3) Motor Insurance; and (4) Extended Warranty Plan.

4.9 Competitive Advantages

The Company has a number of particularly strong attributes, which Management has translated into sustainable competitive advantages relative to its competitors.

1. Strong SABB and HSBC brand association

SABB Takaful's principal competitive strength lies in its unique relationship with SABB and the HSBC Group. Such association gives the Company the advantage of utilising SABB's strong local brand and franchise and the HSBC Group's insurance and takaful expertise and support across a range of functions. The 'Amanah' brand equity, which covers all of SABB's and HSBC's Islamic products, further enhances the competitive strength of the Company.

2. Takaful range of products

SABB Takaful's wide range of products gives it competitive edge, especially as all products are reviewed and approved by the Company's Shariah Advisory Committee.

3. Access to SABB's Distribution Franchise

SABB is one of the leading banks in the Kingdom of Saudi Arabia. With a network of over 80 branches, including 15 sections or branches dedicated to ladies, four investment centers and 15 ladies lounges, it has over 430 automated teller machines, 24x7 call centers and advanced internet capability. Through the Takaful Agency and Sales Agreement with SABB Insurance Agency Company Limited, SABB Takaful Company is provided with access to over 500,000 individual customers and over 2,000 corporate customers (see "Summary of Material Contracts and Agreements" section on page "72").

SABB's corporate customers are supported through dedicated teams of relationship managers in all the three major provinces. Similarly, private banking centers and supporting teams are located in Riyadh, Jeddah and Al Khobar. SABB Takaful is of the belief that through SABB, it will be able to access and serve all clients throughout the Kingdom.

4. Resources and Expertise of the HSBC Group

The HSBC Group is one of the largest banking and financial services organisations in the world with an international network that comprises around 10,000 offices in over 80 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

SABB Takaful is able to take advantage of the experience of HSBC Amanah, the global Islamic banking division of the HSBC Group, to provide high quality takaful products in the Kingdom.

Through its banking, consumer finance and insurance subsidiaries, the HSBC Group provides a broad range of insurance and takaful products and services to its personal, commercial, corporate, institutional and private banking customers in over 50 countries and territories.

HSBC Insurance and Takaful

The HSBC Group offers a wide range of insurance products and services to meet the diverse needs of personal and commercial customers worldwide, including:

Life assurance (protection and investments)

Products and services offered include, inter alia, term life assurance, life-wrapped endowments, whole of life, pensions (annuities, personal and Company pension schemes), critical illness cover, inheritance and estate planning, group life and key man cover.

Non-life insurance (property and casualty)

Products offered include, inter alia, vehicle, home, travel, health and medical insurance, personal accident and disability cover, income and payment protection, employers' and third party liability, marine hull and cargo insurance.

Packaged and bespoke services for commercial, corporate and institutional risks

Services offered range from packaged solutions for small businesses to bespoke insurance broking services, reinsurance, protected and segregated captive cell companies, alternative risk financing and employee benefits management.

HSBC Amanah Takaful Division

HSBC Amanah is a global division of HSBC Group. HSBC Amanah has a unique market positioning as a global financial services provider with complete Islamic financial services solutions in banking and insurance. HSBC Amanah Takaful was established in 2003G as part of HSBC Amanah to be responsible for developing takaful business for HSBC Group through a combination of HSBC's takaful manufacturing capability, Islamic fund management and strategic alliances with quality financial institutions.

HSBC Group offers takaful products and funds in Singapore, Malaysia, Brunei, Saudi Arabia and the UAE through a combination of its own manufactured products and white labeling. It offers unit-linked policies providing opportunities for wealth accumulation with Family Takaful protection - all fully Shariah-compliant. This ranges from Simple Savings Plans to Education and Retirement Solutions with a range of risk/reward profiles, including secure and rewarding growth. It also offers a range of General Takaful products such as Personal Accident, Travel covers as well as coverage of building and home contents and Marine Cargo.

HSBC Amanah has a comprehensive range of equities and real estate investment funds. It offers structured investment solutions that have been lacking within the takaful industry. HSBC Amanah Takaful Malaysia obtained an A- rating from Fitch Ratings, a first for any takaful company globally.

The long-term nature of takaful life business (or Family Takaful) necessitates finding portability solutions for the convenience of its customers who move from one market to another. HSBC Amanah Takaful continuously endeavors to cater for such needs as well as maintaining the highest service standards.

HSBC Amanah-Functional and Compliance Supervision

The HSBC Group launched its formal Islamic finance franchise in July 1988G through the global HSBC Amanah brand. The business represents a global, comprehensive service proposition covering retail, corporate and High Net Worth clients of HSBC. There are currently Onshore HSBC Amanah franchises in Saudi Arabia, U.K., UAE, Malaysia, Indonesia, Bangladesh and Brunei. Amanah has a tradition of cross border transactions and innovation leading to the landmark Government of Malaysia Sukuk and numerous awards. HSBC has placed the compliance and enforcement of Shariah authenticity and reputation with HSBC Amanah and strict global policies are in place to ensure consistency. Through direct and industry recognition by top Shariah scholars, HSBC Amanah has maintained a reputation for transparency, ethics, constructive innovation and industry leadership.

4.10 Revenue Breakdown

SABB Takaful is a composite takaful company and provides both Family and General Takaful products.

The following table presents the details of gross contributions by product segments:

Gross Contributions per Product Segment	
(SAR'000)	**For the period from 15/05/2007G to 31/12/2008G**
Individual Takaful	
Individual Family Takaful	128,718
Individual General Takaful	11,366
Commercial Takaful	
Commercial Family Takaful (Group Takaful)	37,530
Commercial General Takaful	35,164
Total	**212,778**

Source: SABB Takaful

4.11 Marketing and Promotion

SABB Takaful performs its marketing and promotional activities with the objective of supporting the Company's vision and goals and to communicate the value of SABB Takaful products and services to existing and potential customers. The activities are specific by product line and targeted towards either individual or commercial clientele, and are achieved through various media means including newspapers, direct marketing to customers, marketing campaigns and events, joint promotions and electronic marketing via the internet. Moreover, SABB Takaful has entered into a Takaful Agency and Sales Agreement with SABB Insurance Agency Company Limited and SABB to promote the Company's products within Saudi Arabia (see "Summary of Material Contracts and Agreements" section on page "72").

4.12 Customers

Since its inception, SABB Takaful has grown its customer base substantially. With over 70,000 policies sold for both Family and General Takaful products, for both the individual and commercial segments, the Company has now established a considerable base to sustain business and plan for continued growth. Furthermore, the Company has entered into an agreement with SAMA Airlines for purposes of distributing SABB Takaful's products and services (see "Summary of Material Contracts and Agreements" section on page "72").

4.13 Customer Service

Quality customer service is one of the pillars supporting SABB Takaful's vision and mission statement. The Company has developed a customer service center which aims to deliver first-class service to all of its customers. The Center is fully equipped with professional resources, modern technology and a modern customer service methodology to cover policy servicing, claims and customer complaints.

In addition, SABB Takaful maximises its relationship with SABB Insurance Agency Company Limited as its agent to provide quality customer service at every customer touch point throughout SABB's distribution franchise.

4.14 Information Technology

SABB Takaful strongly believes that an automated information and technology system is the basic requisite for the successful operation of the business and for the delivery of prompt service to customers. To help achieve this operational efficiency, SABB Takaful uses a plan administration application from Pentasoft Malaysia SDN BHD in Malaysia, a Company that delivers Information Technology based solutions (see "Summary of Material Contracts and Agreements" section on page "72"). This application is an integrated solution supporting Family Takaful, General Takaful and unit-linked business. It allows the Company to serve individual and commercial customers from a centralised service centre with greater efficiency.

4.15 Training

SABB Takaful's relationship with the HSBC Group and SABB provides the Company with access to a wide range of training facilities in the Kingdom, regionally and internationally. Courses that SABB Takaful employees attend include overseas courses held by the HSBC Group; training conducted locally and in the Gulf Cooperation Council states by accredited institutions; and training provided by SABB. The types of training range from technical courses applicable for specific roles and positions within the Company to general management, business development and business communication courses to enhance overall skills of the workforce. The Company also benefits from the best-practice sharing culture within the HSBC Group, which is shared through regular conferencing, teleconferences, seminars and on-line.

With the HSBC Group wishing to maintain its worldwide reputation of quality, SABB Takaful is kept up-to-date regarding developments in regulations, internal risk and compliance measures, preferred sales methods and growing customer trends.

SABB Takaful also affords sales agents with the necessary training and education regarding the Company's products and the needs of customers. The Company will also be benefiting in terms of recruitment from SABB's established renowned Junior Officer Development Program (JODP). The program is aimed at developing the capabilities of the Saudi cadre in various units of SABB and SABB Takaful by providing the candidates with advanced training within and outside the Kingdom. The trainees also undergo on-the-job training covering all aspects of banking in addition to enhancement of leadership skills and financial analysis abilities for a one-year period.

4.16 Research and Development

SABB Takaful evaluates the introduction of new products within the local market depending on foreseeable and forecasted market trends and needs. The Company is also able to adopt HSBC Group insurance products and tailor fit these according to the needs of the local market. The Company places close scrutiny on any new product considered for introduction into the local market with respect to marketability, compliance with Shariah and HSBC Group standards and profitability.

5. Corporate Structure

5.1 Background to Founding Shareholders

SABB

The Saudi British Bank (SABB) is a Saudi Joint Stock Company listed in the Saudi Stock Exchange with a strong record of accomplishment and a heritage that stretches back over 30 years. Currently, it operates through a network of over 80 branches throughout the Kingdom of Saudi Arabia, including 15 exclusive ladies' sections and a team of over 3,300 employees.

Awards of SABB

SABB's achievements and contributions to the community have also earned numerous awards over the years. Its most recent honours include the following:

2009G: Awarded Best Trade Finance Bank in Saudi Arabia in 2009G by Global Finance Magazine - February 2009G

2008G: Voted No. 1 Cash Management Bank in 2008G by Euromoney through the Euromoney Cash Management Poll - October 2008G

2008G: Awarded Prince Naif Bin Abdulaziz Saudisation award at the 6th award distribution event

2008G: Voted Best Private Bank in Saudi Arabia in 2008G by Euromoney: Private Banking and Wealth Management Survey - January 2008G

2007G: Awarded silver medals for Best Contact Center among European, Middle Eastern and African Contact Centers, and Best Outbound Campaign by Contact Center World Awards 2007G

The HSBC Group

Headquartered in London, the HSBC Group is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises around 10,000 offices in over 80 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

The HSBC Group offers a wide range of value insurance products and services to meet the diverse needs of personal and commercial customers in over 50 countries and territories.

Other Founding Shareholders

Incorporated in 1997G in the Netherlands as a holding and finance company, HSBC Asia Holdings B.V. is a wholly owned subsidiary of HSBC Holdings plc.

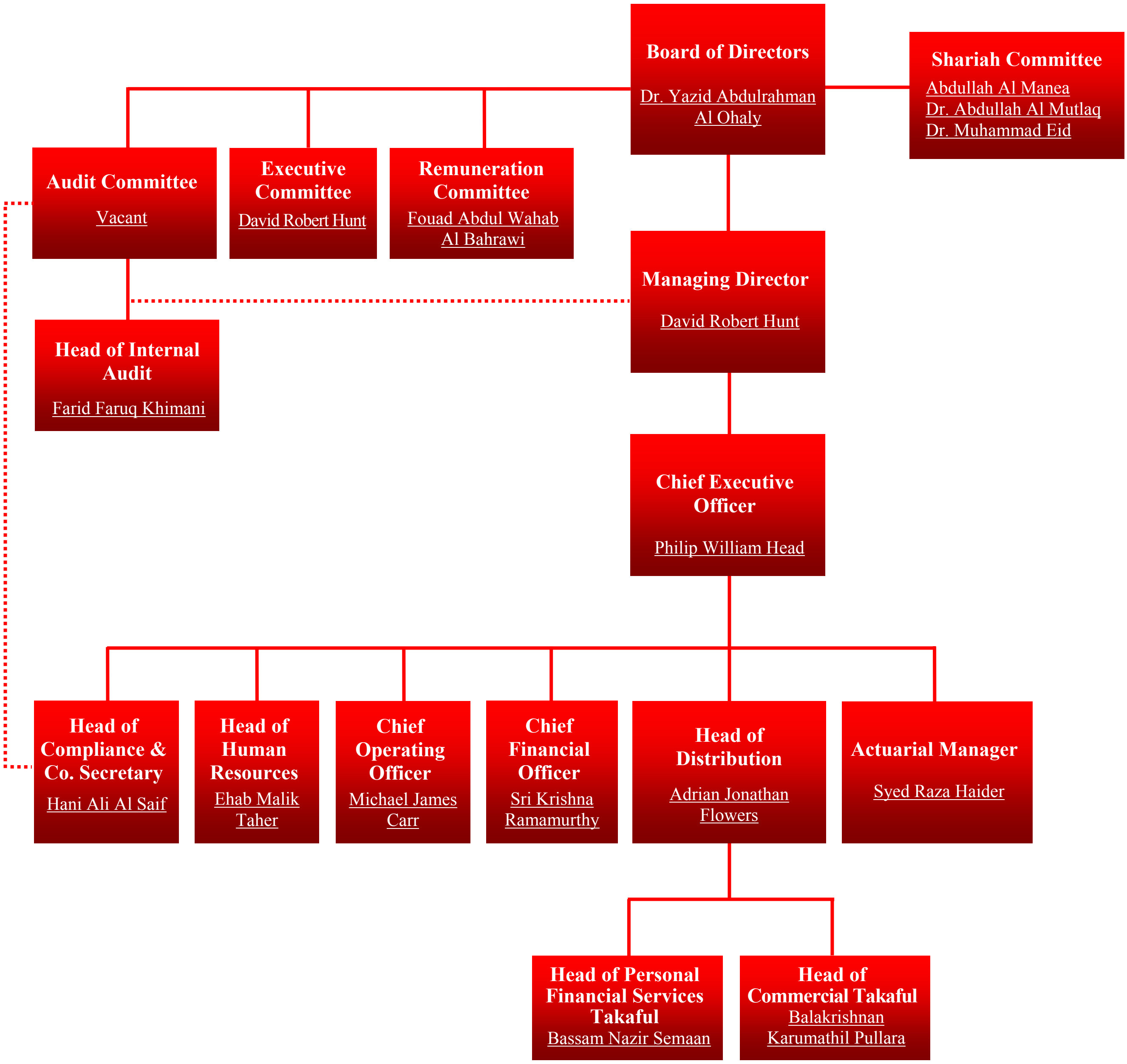
Canada Square Nominees (U.K.) Ltd., Canada Water Nominees (U.K.) Ltd. and Canada Crescent Nominees (U.K.) Ltd. are holding companies that are part of the HSBC Group and are 100% owned by one or more HSBC Group companies.

5.2 Organisational Structure

SABB Takaful has a streamlined organisational structure built to ease the flow of information and speed up the decision making process for Management.

The following chart illustrates SABB Takaful's organisational structure:

SABB Takaful's Organisational Structure



Source: SABB Takaful

5.3 Board of Directors

SABB Takaful's Board of Directors ("the Board") has a significant amount of local business knowledge, and international experience.

The Board of Directors is ultimately responsible for the policies and management of the Company. The Board approves strategic, accounting, organisational and financing policies adopted by the Company. Responsibilities of the Board include the appointment of executive officers and authorised signatories of the Company, and supervision over the Company's management. The Board of Directors is also entrusted with organising Shareholders' meetings and carrying out Shareholders' resolutions.

The Board is composed of a group of competent and experienced members who bring a mix of international and local experience. The Board meets a minimum of four times per annum.

The Board of Directors represents SABB, other Founding Shareholders and the Public as follows:

SABB Takaful Board of Directors

Name	Position	Representation	Type	Nationality	Age	Number of Shares
Dr. Yazid Abdulrahman Al Ohaly	Chairman	Public	Non-Executive / Independent	Saudi	49	1,111
David Robert Hunt	Managing Director	Other Founders*	Executive / Non-Independent	British	44	1,100
Mohammad Abdullah Al Mulla	Director	Public	Non-Executive / Independent	Saudi	65	1,015
Dr. Faisal Hamad Al Sugair	Director	Public	Non-Executive / Independent	Saudi	49	2,000
Fouad Abdul Wahab Al Bahrawi	Director	SABB	Non-Executive / Non-Independent	Saudi	64	1,000
Mansour Abdulaziz Al Bosaily	Director	SABB	Non-Executive / Non-Independent	Saudi	48	1,055
Adel Al Marzook Al Nasser	Director	SABB	Non-Executive / Non-Independent	Saudi	51	1,000
David Dew	Director	Other Founders*	Non-Executive / Non-Independent	British	54	1,000
Richard William Lewis Groves	Director	SABB and Other Founders*	Non-Executive / Non-Independent	British	52	1,000
Nigel Grant Hinshelwood	Director	Other Founders*	Non-Executive / Non-Independent	British	43	1,000
Vacant**	Director	Public	Non-Executive / Independent	-	-	-

Source: SABB Takaful

* The Other Founders are HSBC Asia Holdings B.V., Canada Square Nominees (U.K.) Ltd., Canada Water Nominees (U.K.) Ltd., and Canada Crescent Nominees (U.K.) Ltd., which are holding companies that are part of the HSBC Group and are 100% owned by one or more of HSBC Group companies.

** The Company's Board of Directors will appoint a new Member after obtaining approval from the concerned authorities and after finalising the related procedures, provided that such appointment is put forward before the first meeting of the Ordinary General Assembly for endorsement.

Note: No Director owns 5% or more of SABB Takaful shares, as per Article 38(1) of the Implementing Regulations of the Law of Supervision of Cooperative Insurance Companies.

Note: The number of shares include 1,000 Qualification Shares as per Article 68 of the Company Law.

Experiences and Qualifications of the Directors

The following summarises the resume and expertise of the Board Members:

Dr. Yazid AbdulRahman Al Ohaly: Chairman of the Board of Directors, Saudi, 49 years of age. He holds a Bachelor's degree in Medicine and Surgery from King Saud University in Saudi Arabia (1984G) and a Fellowship in Respiratory Diseases (Ph.D.) from Uppsala University Hospital in Sweden (1993G). Prior to joining the Board of Directors in 2007G, he held various positions including Member of the Shura Council from 2001G to 2009G, President of Saudi Sports Medicine Association from 2001G to 2008G, Board Member of the Joint Commission Resources Inc. in Oakbrook, Illinois (U.S.A.) from 1999G to 2001G, Director General of Hospitals at the Ministry of Health from 1995G to 2001G and General Manager of the Prince Salman bin Abdulaziz Hospital from 1993G to 1995G. He is a Consultant of Pulmonary Medicine at the King Faisal Specialist Hospital & Research Center since 2003G and a Consultant at Yazid A. Ohaly Healthcare Consulting since 2001G. Dr. Yazid Al Ohaly has over 20 years of experience in the areas of medicine and medical research.

David Robert Hunt: Managing Director, British, 44 years of age. He holds a Bachelor's degree in Banking & Finance - First Class Honours from Loughborough University of Technology in the United Kingdom (1987G). He is also an Associate of the Chartered Institute of Bankers (ACIB), holds a Diploma in Financial Studies (FS Dip)

and a Certificate for Financial Advisors (CeFA). Prior to joining the Company's Board of Directors in 2007G, he held various positions at HSBC including Senior Executive Strategy at SABB from 2003G to 2005G and Senior Manager Strategy Implementation from 2001G to 2003G. David Hunt has over 20 years of experience in the areas of banking and finance.

Mohammad Abdullah Al Mulla: Member of the Board of Directors, Saudi, 65 years of age. He holds a Bachelor's degree in Social Studies from the Arab University of Beirut in Lebanon (1968G) and a Master's degree in Broadcasting Communications Arts Management from San Francisco State University in the United States of America (1979G). He conducted his Ph.D. studies in Political Science at the University of Hawaii in the United States of America (1981G) and in Public Administration at the Golden Gate University (1983G) in the United States of America. Prior to joining the Company's Board of Directors in 2007G, he held various positions including President of GCC Television from 1973G to 1975G and Manager of Dammam Television Station from 1971G to 1975G. He is also a Board Member of Arabian Paper Company since 2002G, Board Member of Dar Al Youm Company since 2001G and Secretary General of the Federation of GCC Chambers since 1983G. Mohammad Al Mulla has over 40 years of experience in the areas of media and business.

Dr. Faisal Hamad Al Sugair: Member of the Board of Directors, Saudi, 49 years of age. He holds a Bachelor's degree with First Class Honours in Civil Engineering from King Saud University in Saudi Arabia (1982G), a Master's degree in Civil/Structural Engineering from Stanford University in the United States of America (1984G) and Ph.D. degree in Civil/Structural Engineering from Stanford University in the United States of America (1988G). Prior to joining the Company in 2007G, he held various positions including Senior Vice President and General Manager of the Advanced Electronics Company leading the Military Systems Business Unit from 1996G to 2004G and Chairman of the King Saud University Department of Civil Engineering from 1993G to 1995G. He is currently the Chief Executive Officer of Integrated Transportation Company since 2007G and General Manager of Corporate Business Development of Al Muhaidib Group of Companies since 2004G. He serves as a Board Member for several companies including Mobile Telecommunications Company- Kingdom of Saudi Arabia since 2008G, Swicorp Financial Advisory Company since 2007G, Eastern Petrochemical Company since 2007G, Northern Region Cement Company since 2006G, Arabian Pipe Company since 2006G and Riyadh Cables Group since 2005G. Dr. Sugair was awarded the King AbdulAziz Medal of the First Degree by the late King Fahad bin AbdulAziz for his efforts in advancing science and excellence in scientific research. Dr. Faisal Al Sugair has over 20 years of experience in the areas of engineering and corporate development.

Fouad Abdul Wahab Al Bahrawi: Member of the Board of Directors, Saudi, 64 years of age. He holds a Bachelor's degree in Business Administration from the University of London in the United Kingdom (1970G). Prior to joining the Company in 2007G, he held various positions including Chairman of the United Sugar Company from 1994G to 2001G and a Board Member of Savola Company from 1983G to 2001G. He is also a Board Member of HSBC Saudi Arabia Limited since 2006G, Chairman of the Board of Watani Trading Company since 2001G, Board Member of SABB since 1993G, Member of the Executive Committee of SABB since 1993G and Managing Director of Al Bahrawi Trading Company since 1975G. Fouad Al Bahrawi has over 40 years of experience in the areas of business administration.

Mansour Abdulaziz Al Bosaily: Member of the Board of Directors, Saudi, 48 years of age. He holds a Bachelor's degree in Law from King Saud University in Saudi Arabia (1985G). Prior to joining the Company in 2007G, he held various positions at SABB. He is a Director of the International Chamber of Commerce in the Kingdom of Saudi Arabia since 2004G and General Manager of Legal Affairs and Secretary General of SABB since 1991G. Mansour Al Bosaily has over 20 years of banking and legal experience.

Adel Al Marzook Al Nasser: Member of the Board of Directors, Saudi, 51 years of age. He has a Diploma from the Institute of Banking in London in the United Kingdom (1986G). Prior to joining the Company in 2007G, he held various positions at SABB including General Manager for Credit and Risk from 2002G to 2006G, General Manager Commercial and Corporate Banking from 2000G to 2002G, and Area General Manager Central Province from 1997G to 2000G. He is the General Manager of Arabian Real Estate Company Limited since 2007G, Deputy Managing Director of SABB since 2006G, Board Member of HSBC Saudi Arabia Limited since 2005G and Chairman of the Board of the Saudi Credit Information Company since 2003G. Adel Al Nasser has over 25 years of experience in the areas of banking and financial markets.

David Dew: Member of the Board of Directors, British, 54 years of age. He holds a Bachelor's degree in Arts from Cambridge University in the United Kingdom (1977G). Prior to joining the Company in 2009G, he held various positions including Chief Operating Officer at HSBC U.S.A. Inc. in New York from 2007G to 2008G, Head of Audit at HSBC Bank U.S.A. North America in New York from 2004G to 2007G, Chief Operating Officer at SABB from 2001G to 2004G and Deputy Chief Executive Officer at The Hongkong and Shanghai Banking Corporation Limited in Singapore from 1997G to 2001G. He is currently the Deputy Chief Executive Officer Amanah at HSBC Bank Middle East Limited in Dubai since 2008G. David Dew has over 30 years of experience in the areas of banking and finance.

Richard William Lewis Groves: Member of the Board of Directors, British, 52 years of age. He holds a Bachelor's degree with Honours in Economic and Social History from the University of Hull in the United Kingdom (1978G). Prior to joining the Company in 2009G, he held various positions including Executive Director and Chief Operating Officer at SABB from 2007G to 2009G, Chief Executive Officer at HSBC Bank Middle East Limited in Oman from 2004G to 2007G, Regional Head Northern India at The Hongkong and Shanghai Banking Corporation Limited in India from 2001G to 2004G and Senior Vice President at The Hongkong and Shanghai Banking Corporation Limited in Hong Kong from 1998G to 2001G. He is also the Deputy Chairman of HSBC Saudi Arabia Limited since early 2009G, Board Member of HSBC Bank Middle East Limited since early 2009G, Board Member of HSBC Bank Egypt since early 2009G and Chairman of SABB Securities Limited since 2007G. He is currently the Managing Director of SABB since early 2009G. Richard Groves has over 28 years of experience in the areas of banking and finance.

Nigel Grant Hinshelwood: Member of the Board of Directors, British, 43 years of age. He holds a Professional Management Diploma in Hotel, Catering and International Management from Oxford Brookes University in the United Kingdom (1987G). Prior to joining the Company in 2009G, he held various positions including Head of Business Transformation at HSBC Holding Plc. in the United Kingdom and India from 2005G to 2007G, Vice President and General Manager of Financial Services Asia Pacific at Unisys Corporation in Singapore from 2003G to 2005G, Chief Executive Officer South Asia at Cap Gemini Ernst & Young in Singapore from 2001G to 2003G and Partner at Ernst & Young in Australia from 1997G to 2001G. He is also a Board Member of HSBC Insurance Brokers Limited in the United Kingdom since early 2009G and Board Member of HSBC Actuaries and Consultants Limited in the United Kingdom since early 2009G. He is currently the Global Chief Operating Officer of Insurance at HSBC Holdings Plc. in the United Kingdom since 2008G. Nigel Hinshelwood has over 20 years of experience in the areas of financial services and insurance.

Secretary of the Board

Hani Ali Al Saif: Secretary of the Board and the Head of Compliance at SABB Takaful, Saudi, 40 years of age. He holds a Financial Planning Consultant Diploma (CPFP) from the Institute of Banking in Saudi Arabia (2004G). He also holds a Certificate of Proficiency from the Chartered Insurance Institute of London, and Insurance Diploma from the Institute of Public Administration in Saudi Arabia. Prior to joining the Company in 2007G, he held various positions including Bancassurance Department Manager with Banque Saudi Fransi from 2002G to 2005G, Branch Manager at the Company for Cooperative Insurance from 1998G to 2002G and Sales Office Executive and Retail Manager Backup at the Company for Cooperative Insurance from 1995G to 1998G where he was handling the account of Saudi ARAMCO. Hani Al Saif has over 18 years of experience in the areas of insurance and sales.

5.4 Executives' Contract Summaries

The following table presents the contract summaries of the Company's Executives:

Executives' Contract Summaries				
Name	**Position**	**Date of Contract**	**End of Contract**	**Type**
David Robert Hunt	Managing Director	01/11/2006G	30/04/2009G	Automatically Renewable
Philip William Head	Chief Executive Officer	01/07/2009G	30/06/2011G	Extendable for one year
Sri Krishna Ramamurthy	Chief Financial Officer	28/07/2007G	27/07/2009G	Automatically Renewable
Michael James Carr	Chief Operating Officer	29/01/2008G	28/01/2010G	Automatically Renewable

Source: SABB Takaful

5.5 Remuneration to the Board of Directors

SABB Takaful's Ordinary General Assembly Meeting held on 14 April 2009G authorised Directors' remuneration in the amount of SAR 900,000 for the Company's fiscal year ended 31 December 2008G. An amount of SAR 360,000 has thus far been advanced by the Company.

The Board Directors of SABB Takaful declare that there is no contract or arrangement in effect or contemplated at the time of submission of the Prospectus in which the Managing Director (MD), Chief Financial Officer (CFO), or a director or any relative of any of them is materially interested and which is significant in relation to the business of the group.

5.6 Corporate Governance

SABB Takaful is in compliance with the Corporate Governance Regulation in the Kingdom of Saudi Arabia. Strong corporate governance is seen as crucial to the success of the Company which requires the implementation of a clear framework for transparency and disclosure. The Company adopts the high standards of corporate governance of the HSBC Group.

The corporate governance framework is reflected by the structure and guidelines, as seen below:

Shareholders General Assembly

SABB Takaful keeps shareholders up-to-date with regard to any major developments at the Shareholders General Assembly, and makes available periodic financial reports in line with the requirements of the Listing Rules issued by the CMA.

Reporting of Financial and Other Information

The Board presents to Shareholders a concise and balanced picture of the Company's financial performance. In addition, the flow of information is structured to ensure the timely delivery of relevant information to the Board, to enable it to effectively discharge its duties.

5.7 Committees of the Board of Directors

5.7.1 Audit Committee

The Audit Committee is responsible for reviewing risk management functions and assessing SABB Takaful's processes relating to its risk and control environment, supervising the framework of the auditing process and overseeing financial reporting and the functions of the internal audit department of the Company. The goals of the Audit Committee are to minimise business, financial and operational risks faced in the areas of the Company's strategies, investments, liabilities, liquidity, solvency, products and services.

The Audit Committee meets a minimum of four times per annum.

The main responsibilities of the Audit Committee as per the Corporate Governance Regulation are as follows:

- To supervise the company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To review the internal audit procedure and prepare a written report on such audit including any recommendations.
- To review the internal audit reports and pursue the implementation of the corrective measures in respect of the comments included therein.
- To recommend to the Board of Directors the appointment, dismissal and the Remuneration of external auditors. Upon any such recommendation, regard must be made to their independence.
- To supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- To review together with the external auditor the audit plan and make any comments thereon.
- To review the external auditor's comments on the financial statements and follow up on actions taken.
- To review the interim and annual financial statements prior to presentation to the Board of Directors and to give opinion and recommendations with respect thereto.
- To review the accounting policies in force and advise the Board of Directors of any recommendations.

The Audit Committee is comprised of the following members:

Audit Committee	
Name	**Position**
Vacant*	Chairman of the Committee
Hamad Saud Al Omar	Member
Ian Stewart Martin	Member

Source: SABB Takaful

* A Chairman of the Audit Committee will be assigned after appointing a new member for the Committee.

Experiences and Qualifications of the Audit Committee Members

The following summarises the resume and expertise of the Audit Committee members:

Hamad Saud Al Omar: Member of the Audit Committee, Saudi, 53 years of age. He holds a Bachelor's degree in Mathematics from the University of Riyadh in Saudi Arabia – currently known as King Saud University (1977G) and a Master's degree in Mathematics from the University of California in the United States of America (1982G). Prior to joining the Company in 2007G, he also held various positions at SABB including Head of Institutional Banking from 1999G to 2001G, Deputy Head of Internal Audit from 1994G to 1999G, Head of Corporate Banking lending team from 1987G to 1990G and Branch Manager from 1985G to 1987G. He was also a lecturer at Riyadh University School of Business from 1977G to 1984G. He was seconded to the central bank (SAMA) twice, the first was from 1990G to 1994G to assist in establishing the Institute of Banking, and the second was from 2001G to 2003G to assist in establishing the Saudi Credit Bureau. He is currently the General Manager of Security and Fraud Risk at SABB in Riyadh since early 2009G. Hamad Al Omar has over 24 years of experience in the areas of corporate and retail banking, audit and training.

Ian Stewart Martin: Member of the Audit Committee, British, 46 years of age. He holds a Bachelor's degree with Honours in Economics from Leicester University in the United Kingdom (1982G). He is also a qualified accountant and a Member of the Fellow of the Chartered Association of Certified Accountants (FCCA) in the United Kingdom. Prior to joining the company in 2007G, he held various positions including Head of Personal and Consumer Finance Audit at the HSBC Group in London from 2004G to 2008G and Director of Internal Audit with Household International Group in Chicago from 1987G to 2003G. He is currently the Head of HSBC Group Audit Middle East since 2008G. Ian Martin has over 20 years of experience in the areas of managing risk based internal audit functions in the United Kingdom Banking Industry.

5.7.2 Executive Committee

The primary objective of the Executive Committee is to oversee the day-to-day performance of the Company and provide support and guidance to the Managing Director.

The Executive Committee holds meetings a minimum of six times per annum.

The main responsibilities of the Executive Committee are as follows:

- Exercise all the powers that are authorised by the Saudi Arabian Monetary Agency and the Board of Directors to assist the Managing Director to review, recommend and approve business decisions in the best interests of the Company.
- Oversee operational matters and provide recommendations.
- Review the Company's main business strategies and provide recommendations.
- Review and approve material contracts and significant capital expenditures.

The Executive Committee is comprised of four members as follows:

Executive Committee	
Name	**Position**
David Robert Hunt	Chairman of the Committee
Fouad Abdul Wahab Al Bahrawi	Member
Adel Al Marzook Al Nasser	Member
Dr. Faisal Hamad Al Sugair	Member

Source: SABB Takaful

The resumes of the Executive Committee Members were presented on pages "26" and "27".

5.7.3 Compensation and Nomination Committee

The Compensation and Nomination Committee holds meetings a minimum of two times per annum. The main responsibilities of the Compensation and Nomination Committee as per the Corporate Governance Regulation are as follows:

- Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards. The Committee shall ensure that no person who has been previously convicted of any offense affecting honour or honesty is nominated for such membership.
- Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board.

- Review the structure of the Board of Directors and recommend changes.
- Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the company's interest.
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
- Draw clear policies regarding the indemnities and remunerations of the Board members and top executives. In laying down such policies, the standards related to performance shall be followed.

The Compensation and Nomination Committee is comprised of the following members:

Compensation and Nomination Committee	
Name	**Position**
Fouad Abdul Wahab Al Bahrawi	Chairman of the Committee
Mohammad Abdullah Al Mulla	Member
David Dew	Member

Source: SABB Takaful

The resumes of the Compensation and Nomination Committee Members were presented on page "27".

5.8 Shariah Advisory Committee

SABB Takaful has an independent Shariah Advisory Committee, which assesses all of the Company's products prior to granting approval. The Shariah Advisory Committee certifies that the Company's products comply with Shariah. The Committee also appraises the products and services of SABB Takaful Company and provides advice on various matters referred to them by the Company.

SABB Takaful's Shariah Advisory Committee is comprised of the following members:

Abdullah Bin Sulaiman Al Manea, 79 years of age (Chairman):

- Member of Supreme Judiciary Committee of Saudi Arabia
- Member of the Islamic Fiqh Academy, Jeddah
- Former Deputy President of Makkah Courts
- Advisor to several Islamic Financial Institutions including, Bahrain Shamil Bank, the National Commercial Bank, Riyadh Bank

Dr. Abdullah Bin Muhuammed Al Mutlaq, 55 years of age:

- Member of Supreme Judiciary Committee of Saudi Arabia
- Former Chairman of the Comparative Fiqh Department at Immam Mohd. Bin Saud University
- Advisor to several Islamic Institutions including, Samba Financial Group, Bank Al Jazeera, and Bank Al Bilad

Dr. Muhammad Elgari Bin Eid, 59 years of age:

- Associate Professor and Former Director of the Center for Research in Islamic Economics at King Abdul Aziz University
- Expert at the Islamic Fiqh Academy, Jeddah
- Editor of the Review of Islamic Economic and Shariah
- Advisor to HSBC - Amanah Finance
- Advisor to several Islamic Institutions including: UBS in Switzerland, Arab National Bank, and Banque Saudi Fransi

5.9 Committees of the Company

The three principal committees of the Company are the Investment, Asset and Liability and Risk Committees.

5.9.1 Investment Committee

The prime responsibility of the Investment Committee is to set the investment mandate, oversee and review the performance of the Company's investments.

The Investment Committee meets on a quarterly basis.

The main responsibilities of the Investment Committee are as follows:

- Assist the Board of the Company to review investment policies on a regular basis in terms of risk, return and solvency requirements.
- Review investment opportunities and proposed strategies.
- Monitor the investment funds' performance in accordance with the funds' objectives and targeted returns.
- Ensure investments are in compliance with regulatory requirements.
- Ensure that the management functions of investment risks are sufficient and appropriate.

The Investment Committee is comprised of the following members:

Investment Committee		
Name	**Position**	**Title**
David Robert Hunt	Chairman	Managing Director
Philip William Head	Member	Chief Executive Officer
Adrian Jonathan Flowers	Member	Head of Distribution
Sri Krishna Ramamurthy	Member	Chief Financial Officer
Bassam Nazir Semaan	Member	Head of Personal Financial Services Takaful
Syed Raza Haider	Member	Actuarial Manager
Saleh Ibrahim Al Motawa	Member	Deputy Treasurer (SABB)

Source: SABB Takaful

Experiences and Qualifications of the Investment Committee Members

The following summarises the resume and expertise of the Investment Committee members:

Philip William Head: Member of the Investment Committee and Chief Executive Officer, British, 50 years of age. He holds an Advanced-Level Diploma from Colliers Grammar School in the United Kingdom (1977G). He is a Chartered Insurer and Associate of the Chartered Insurance Institute in London since 1987G. Prior to joining the Company in 2009G, he held various positions including Regional Director at Royal & Sun Alliance Insurance Company Asia & Middle East in Dubai from 2005G to 2008G, Chief Executive Officer at Royal & Sun Alliance Insurance Limited Middle East in Saudi Arabia and Dubai from 1998G to 2005G and Chief Executive Officer at Royal & Sun Alliance Insurance (Eastern Caribbean) Limited in the West Indies from 1995G to 1998G. Philip Head has 30 years of experience in the global insurance industry.

Adrian Jonathan Flowers: Member of the Investment Committee and Head of Distribution, British, 42 years of age. He holds an Advanced-Level diploma from Kimberley School in the United Kingdom (1985G). He is an Associate of the Chartered Institute of Bankers since 1988G and received certification from the General Management Training Program with Household International Inc. in conjunction with Northwestern University, in the United States of America (1989G to 1991G). He also received certification for completion of the Executive Education Series with Household International Inc. in conjunction with Northwestern University in the United States of America (1991G to 1992G). Prior to joining the Company in 2009G he held various positions with Household International Inc. including General Manager of Household Bank and Beneficial Finance in the United Kingdom and Europe from 2005G to 2008G, General Manager of Beneficial Finance in the United Kingdom from 2002G to 2005G and Director of Insurance Sales and Enhancement Services in the United Kingdom from 2001G to 2002G. Adrian Flowers has 20 years of experience in the areas of business. management and global insurance.

Sri Krishna Ramamurthy: Member of the Investment Committee and Chief Financial Officer, Indian, 32 years of age. He holds a Bachelor's degree in Commerce and Finance from Bharathiyar University in India (1996G) and a Master's Degree in Commerce and Finance from Annamalai University in India (1998G). He also holds the Cost and Works Accountancy/Management (CWA) Certificate from the Institute of Cost and Works Accountants of India; he is a Chartered Accountant (I) from the Indian Institute of Chartered Accountants in India, and a Certified Public Accountant from the American Institute of Certified Public Accountants in the United States of America. Prior to joining the Company in 2007G, he held various

positions including Financial Controller at the National Bank of Kuwait from 2006G to 2007G, Manager of Finance at American Express in Saudi Arabia from 2003G to 2006G, Senior Executive at CITICORP Securities and Investments in India from 2000G to 2001G, and audit officer at Venkatesh & Company Chartered Accountants in India from 1996G to 1999G. Sri Ramamurthy has over 10 years of experience in the areas of financial management, accounting, audit, risk management, internal control and information security.

Bassam Nazir Semaan: Member of the Investment Committee and Head of Personal Financial Services Takaful, Lebanese, 47 years of age. He holds a Bachelor's degree in Business Computers from the Lebanese American University in Lebanon (1985G). He is also a Fellow and Associate of the Life Management Institute at the Life Office Management Association in the United States of America. Prior to joining the Company in 2007G, he held various positions including Bancassurance Manager with MEDGULF insurance Company in Lebanon from 2006G to 2007G, Sales Manager insurance products at General Line International in Lebanon from 2005G to 2006G, Assistant General Manager at NAS Administration Services in Abu Dhabi from 2003G to 2004G, Vice President in Life and Medical Insurance at Fidelity Assurance & Reinsurance in Lebanon from 1998G to 2003G and Life Division Manager at the Gulf Insurance Company in Kuwait in 1998G. Bassam Semaan has over 20 years of experience in the area of insurance operations (underwriting, claims, servicing, and sales).

Syed Raza Haider: Member of the Investment Committee and Actuarial Manager, Pakistani, 29 years of age. He holds a Diploma in Actuarial Techniques from the Institute of Actuaries in the United Kingdom (2006G) and a Certificate in Finance and Investment from the Institutes of Actuaries in the United Kingdom (2007G). Prior to joining the Company in 2007G, he held various positions including Vice President and Head of Insurance and Takaful Business with Nauman Associates in Pakistan from 2004G to 2007G and Senior Actuarial Assistant with Sidat Hyder Morshed Associates Limited (representing Ernst & Young) in Pakistan from 2000G to 2004G. Syed Haider has over 8 years of experience in the actuarial fields of insurance and retirement benefits.

Saleh Ibrahim Al Motawa: Member of the Investment Committee, Saudi, 44 years of age. He holds a Bachelor's of Science degree in Public Relations Management from King Saud University in Saudi Arabia (1988G). He held various positions at SABB including Chief Dealer of the Treasury from 2005G to 2007G. He is currently the Deputy Treasurer of SABB since 2007G. Saleh Al Motawa has over 17 years of experience in the areas of public relations and business.

The resume of David Robert Hunt is presented on page "27".

5.9.2 Asset and Liability Committee (ALCO)

The primary objective of the Asset and Liability Committee (ALCO) is to ensure that the balance sheet of the Company is managed in line with local and HSBC Group risk appetite.

ALCO holds meetings a minimum of four times per annum.

The main responsibilities of the Asset and Liability Committee are as follows:

- Review the Company's balance sheet performance and provide recommendations.
- Review and approve systems and procedures used to manage balance sheet risks.
- Monitor underwriting and reinsurance strategies.
- Monitor claims reserving methodologies and assumptions.
- Review risk management reports and findings.

ALCO is comprised of the following members:

Asset and Liability Committee		
Name	**Position**	**Title**
David Robert Hunt	Chairman	Managing Director
Philip William Head	Member	Chief Executive Officer
Adrian Jonathan Flowers	Member	Head of Distribution
Sri Krishna Ramamurthy	Member	Chief Financial Officer
Bassam Nazir Semaan	Member	Head of Personal Financial Services Takaful
Balakrishnan Karumathil Pullara	Member	Head of Commercial Takaful
Syed Raza Haider	Member	Actuarial Manager
Hani Ali Al Saif	Member	Head of Compliance
Sultan Abdullatif Al Nugali	Member	Senior Manager of Mutual Funds (HSBC S.A.)
David Arthur Hollins	Member	Deputy Chief Risk Officer (SABB)
Walid Joseph Khoury	Member	Treasurer (SABB)

Source: SABB Takaful

Experiences and Qualifications of the ALCO Members

The following summarises the resume and expertise of the ALCO members:

Balakrishnan Karumathil Pullara: Member of the Asset and Liability Committee and Head of Commercial Takaful, Indian, 51 years of age. He holds a Bachelor's in Commerce from the University of Madras in India (1979G) and a Bachelor's degree in Law from the University of Bangalore in India (1986G). He is also a Fellow of the Insurance Institute of India and an Associate and Chartered Insurer of the Chartered Insurance Institute in the United Kingdom. Prior to joining the Company in 2007G, he held various positions including Assistant General Manager with Bahrain Kuwait Insurance Company in Bahrain from 2004G to 2007G and Underwriting Manager with Arab Orient Insurance Company in Dubai from 2000G to 2004G. Balakrishnan Pullara has over 25 years of experience in all areas of General insurance (including underwriting, claims, reinsurance, etc).

Sultan Abdullatif Al Nugali: Member of the Investment Committee, Saudi, 30 years of age. He holds a Bachelor's degree in Business Administration from King Saud University in Saudi Arabia (2000G). He held various positions including Fund Manager at the Arab National Bank from 2004G to 2007G and Fund Manager at Banque Saudi Fransi during 2004G. He is currently the Senior Manager of Mutual Funds at HSBC Saudi Arabia Limited since 2005G. Sultan Al Nugali has over 7 years of experience in the areas of Investments and Mutual Funds.

David Arthur Hollins: Member of the Asset and Liability Committee, British, 35 years of age. He holds a Bachelor's degree in Banking and Finance from the University of Loughborough in the United Kingdom (1995G). He also holds a Professional Investment Certificate from the Institute of Financial Services in the United Kingdom and a degree in Financial Services from the Chartered Institute of Bankers (CIB) in the United Kingdom. He held various positions at SABB including Head of Treasury Market and Credit Risk and Deputy General Manager in Credit Risk from 2007G to 2008G, Deputy Head of Credit and Risk from 2005G to 2007G, Senior Credit Manager in Investment Banking and Markets from 2004G to 2005G, Manager in Retail Risk Management from 2002G to 2004G and Scorecard Development Manager from 2001G to 2002G. He was also a Credit Manager at Midlands Division at HSBC in the United Kingdom from 1998G to 2001G. He is currently the Deputy Chief Risk Officer at SABB since 2008G. David Hollins has over 10 years of experience in the areas of risk management, banking and finance.

Walid Joseph Khoury: Member of the Asset and Liability Committee, French, 44 years of age. He holds a Bachelor's degree in Engineering from Ecole-Polytechnique University in France (1986G) and a Master's degree in Engineering from Ecole Nationale des Ponts et Chaussees in France (1989G). He held various positions including Head of International Private Banking at HSBC Paris from 2006G to 2008G, Head of Discretionary Portfolio Management at HSBC Paris from 2004G to 2006G, Head of Discretionary Portfolio Management at HSBC U.K. from 2002G to 2004G and Head of Foreign Exchange Options at Banque Indosuez in Paris, New York and Hong Kong from 1989G to 1997G. He is currently the Treasurer at SABB since 2008G. Walid Khoury has over 20 years of experience in the banking industry and financial markets.

The resumes of the remaining Committee Members are presented on pages "26", "28", "32" and "33".

5.9.3 Risk Committee

The Risk Committee's primary responsibility is to review the assessment of all risks arising from the activities of the Company, to ensure that internal controls and required mitigants are in place and to implement the HSBC Group Insurance Risk Management Framework.

The Risk Committee's main tasks include the following:

- Overseeing the central administration of the risk management process.
- Promulgating a suitable risk culture, which demonstrates ethics and values, communicating objectives and responsibilities, sharing knowledge and information and promoting competence and accountability.
- Reporting risks including recommendations to ensure that the risk management program is effective and that it meets the relevant standards and regulatory requirements.
- Developing risk management and control strategies through regular review and assessments focusing on those areas with the greatest risk exposure as identified by the risk assessment process.

The Risk Committee meets at least once a quarter.

The Risk Committee is comprised of the following members:

Risk Committee		
Name	**Position**	**Title**
David Robert Hunt	Chairman	Managing Director
Philip William Head	Member	Chief Executive Officer
Michael James Carr	Member	Chief Operating Officer
Sri Krishna Ramamurthy	Member	Chief Financial Officer
Farid Faruq Khimani	Member	Head of Internal Audit
Adrian Jonathan Flowers	Member	Head of Distribution
Bassam Nazir Semaan	Member	Head of Personal Financial Services Takaful
Balakrishnan Karumathil Pullara	Member	Head of Commercial Takaful
Ehab Malik Taher	Member	Head of Human Resources
Hani Ali Al Saif	Member	Head of Compliance
Syed Raza Haider	Member	Actuarial Manager
David Dae Sik Jang	Member	Risk Manager

Source: SABB Takaful

Experiences and Qualifications of the Risk Committee Members

The following summarises the resume and expertise of the Risk Committee members:

Michael James Carr: Member of the Risk Committee and Chief Operating Officer, British, 49 years of age. He holds a Bachelor's Degree in Economics from Bradford University in the United Kingdom (1981G) and a Master's degree in Business Administration from Gloucestershire University in the United Kingdom (1988G). He also holds Financial Planning Certificates I and II from the Chartered Insurance Institute in the United Kingdom and a Post Graduate Certificate in Development Management from the Open University in the United Kingdom. Prior to joining the Company in 2008G, he held various positions including Insurance Consultant with Human Dynamics Consultancy in the Ukraine during 2007G, Administration Director with Anglo Arab Insurance Brokers in Jordan from 2006G to 2007G, Insurance Lead for Bearing Point Consultancy in the Middle East during 2005G, and Compliance Officer at Farmers Union of Wales from 2003G to 2004G. Michael Carr has over 20 years of experience in the insurance and financial services sectors.

Farid Faruq Khimani: Member of the Asset and Liability Committee and Head of Internal Audit, Pakistani, 36 years of age. He holds a Bachelor's degree in Commerce from the University of Karachi in Pakistan (1992G). He also holds an Associate Chartered Accountant Certificate from the Institute of Chartered Accountants in Pakistan, Certified Internal Auditor certificate from the Institute of Internal Auditors in the United States of America, and a Certified Information Systems Auditor Certificate from the Information Systems Audit and Control Association in the United States of America. Prior to joining the Company in 2007G, he held various positions including Executive Director Audit and Compliance with Tameer Micro Finance Bank Limited in Pakistan from 2006G to 2007G, Chief Accountant with American Life Insurance Pakistan Limited from 2003G to 2006G, Assistant Manager Finance at ORIX Leasing Pakistan Limited from 2000G to 2002G and Assistant Manager at A.F. Ferguson & Company Chartered Accountants (PriceWaterHouseCoopers) in Pakistan from 1997G to 2000G. Farid Khimani has over 15 years of experience in the areas of financial management and audit.

Ehab Malik Taher: Member of the Risk Committee and Head of Human Resources, Saudi, 35 years of age. He holds a Bachelor's degree in Public Administrations Science from King Saud University in Saudi Arabia (1997G). Prior to joining the Company in 2008G, he held various positions including Acting Manpower Planning & Budgeting Division Manager and Succession & Promotion Division Manager with Saudi Telecom Company from 2006G to 2008G, Human Resources Director with Al Rabie Dairy from 2000G to 2003G and Human Resources Officer at Saudi Danish Foods from 1997G to 2000G. Ehab Taher has over 10 years of experience in the area of corporate human resourcing.

David Dae Sik Jang: Member of the Risk Committee and Risk Manager, Korean, 24 years of age. He holds a Bachelor's degree in Business Administration - Accounting and Finance - with Honours from the University of Hong Kong (2005G). Prior to joining the Company in 2008G, he held various positions including Assistant Vice President Consumer & Mortgage Lending Branch Operations - Strategy and Analytics at HSBC Finance Corporation in the United States of America from 2007G to 2008G, Assistant Vice President Credit - Corporate Banking at HSBC Philippines from 2006G to 2007G, and Global Customer Support Representative at Bloomberg L.P. in Hong Kong during 2005G. David Jang has over 3 years of experience in the areas of banking and finance.

The resumes of the remaining Committee Members are presented on pages "26", "28", "32" and "33".

6. Senior Management

The senior management of the Company is comprised of the following:

SABB Takaful Senior Management				
Name	**Position**	**Nationality**	**Age**	**Number of Shares**
David Robert Hunt	Managing Director	British	44	1,100
Philip William Head	Chief Executive Officer	British	50	-
Sri Krishna Ramamurthy	Chief Financial Officer	Indian	32	-
Michael James Carr	Chief Operating Officer	British	49	-
Ehab Malik Taher	Head of Human Resources	Saudi	35	-
Hani Ali Al Saif	Head of Compliance	Saudi	40	39
Farid Faruq Khimani	Head of Internal Audit	Pakistani	36	-
Adrian Jonathan Flowers	Head of Distribution	British	42	-
Bassam Nazir Semaan	Head of Personal Financial Services Takaful	Lebanese	47	-
Balakrishnan Karumathil Pullara	Head of Commercial Takaful	Indian	51	-
Syed Raza Haider	Actuarial Manager	Pakistani	29	-

Source: SABB Takaful

Note: No member of Senior Management owns 5% or more of SABB Takaful shares, as per Article 38(1) of the Implementing Regulations of the Law of Supervision of Cooperative Insurance Companies.

The resumes of the senior management are presented on pages "26", "28", "32", "33", "34" and "35".

6.1 Company's Departments

6.1.1 Compliance

The Compliance Department's main objective is to ensure that SABB Takaful's reputation for conducting its business with integrity and professionalism is protected. The Compliance Department consists of the Head of Compliance and the Compliance Assistant.

In summary, the Company's compliance activities include the following:

- Proactively assisting management in identifying and containing compliance risk; and in monitoring, reporting and providing internal certifications.
- Fostering a compliance culture and optimising relations with Regulators.
- Assisting senior management in the daily operation of an efficient and profitable business without breaching legal or regulatory requirements.
- Ensuring compliance with the Company's business principles, values and the spirit and the letter of all laws, codes, rules and regulations in the Kingdom of Saudi Arabia.

6.1.2 Internal Audit

The Internal Audit Department's main objective is to ensure that the Company's procedures and processes are in full compliance with local legislation, codes and any internal directives from HSBC Group and SABB. Moreover, that the Company follows these procedures and processes during the course of its business. The Internal Audit Department consists of the Head of Internal Audit.

In summary, the Company's internal audit activities include the following:

- Ensuring that the internal control framework is robust, continually optimised and operating efficiently.
- Conducting periodic internal audits to identify control weaknesses and gaps within the Company's procedures and processes.
- Presenting the results of the internal audits and reviews, recommendations and significant audit findings to the Audit Committee.
- Overseeing the implementation of recommendations focused on improving or changing existing systems and procedures to improve efficiency.

6.1.3 Human Resources

The Human Resources Department's main objective is to maintain the highest quality in performance and professionalism of SABB Takaful's employees. This is achieved through a commitment to improve the knowledge, skills and abilities of the Company's employees, provide appropriate incentives and enhance retention of quality staff. The Human Resources Department consists of the Head of Human Resources and a Human Resources Officer.

In summary, the Company's human resources management process includes the following:

- Advertising and coordinating processes for the recruitment and selection of competent employees.
- Conducting orientation for new staff and coordinating training and consultations on career development.
- Reviewing the Company's performance management framework and competitiveness of compensation and benefits schemes for staff.
- Handling day-to-day internal and regulatory human resource related matters.

6.1.4 Risk Management

The Risk Management Department's main objective is to methodically identify and address the uncertainties attaching to the Company's business activities with the goal of optimising the risk / reward relationship within each activity and process, and across the portfolio of activities in aggregate. Risk is not static, and the risk profile of an entity changes constantly as a many different factors continually alter in range and impact with new risks and situations arising every day. The Risk Management Department aims to ensure appropriate process, systems and structures are in place throughout SABB Takaful to identify, record, monitor and mitigate risks to a level acceptable to local and HSBC Group standards. The Risk Management Department consists of the Risk Manager and an Assistant Risk Manager.

In summary, the Risk Management Department's activities also include the following:

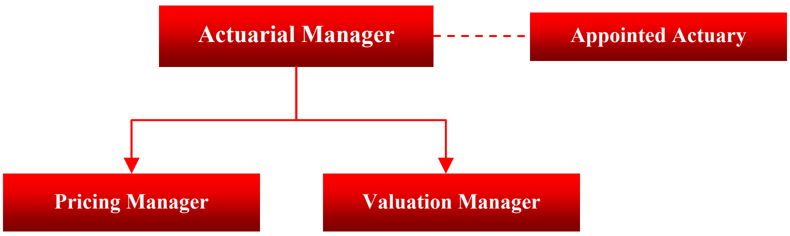
- Providing leadership and commitment to the risk management process.
- Encouraging and fostering greater awareness of risk management throughout SABB Takaful at all levels.
- Ensuring that risk management becomes an integral part of the routine business function.
- Monitoring the risk assessment and business plans of SABB Takaful.
- Monitoring the adequacy of risk management measures in areas of high financial, reputational and system risks.
- Ensuring the appropriate systems and processes are in place so that SABB Takaful accountabilities for emergency response, crisis management and business continuity planning are effectively managed and coordinated.

6.1.5 Actuary

The Actuarial Department's main objective is to employ mathematical and statistical methods to assess and monitor the financial security of the Company. The Actuarial Department has a central role in the planning and pricing of SABB Takaful's existing and future products, determining adequate reserves, modeling assets and liabilities and constantly monitoring the financial security of the Company with respect to the pricing and reserve of its products. To ensure additional controls and quality checks, the Actuarial Department also works with the Company's Appointed Actuary, Watson Wyatt Insurance Consulting Pte (Ltd.) who certifies the adequacy of premium rates and the adequacy of the actuarial liabilities at the end of each financial year. In summary, the Actuarial Department's main activities include the following:

- Providing pricing and profitability studies and recommendations on current and new Family and General Takaful products to meet the Company's marketing and financial objectives.
- Conducting periodic and ad-hoc analyses and tests on all aspects of financial security for the Company as they relate to the Company's products.
- Providing periodic reports to reflect the results of the foregoing analyses and tests to keep senior management informed and up-to-date.

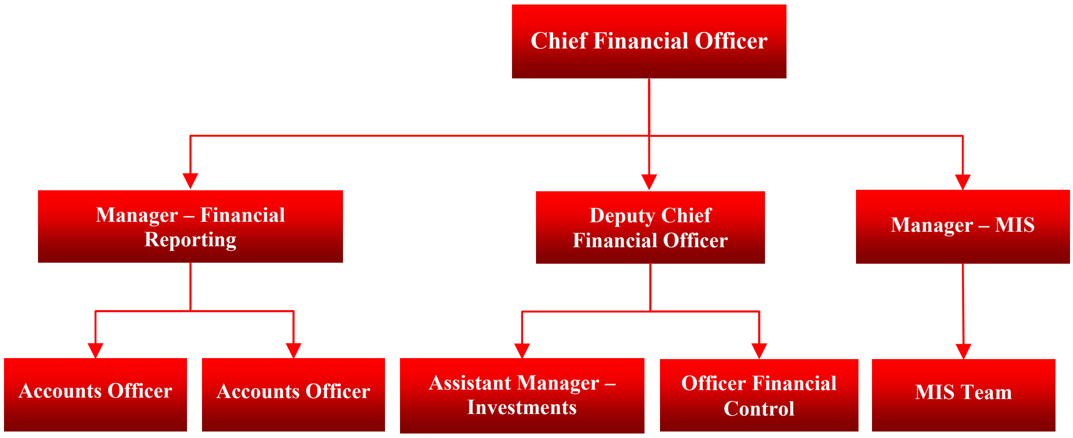
The following chart presents the structure of the Actuarial Department:



6.1.6 Finance

The Finance Department is responsible for the organisation of financial and accounting affairs in SABB Takaful including the preparation and presentation of accounts, daily book keeping procedures, reconciliations and providing management information and support in the daily decisions of the Company. The Finance Department is also responsible for periodically reviewing the Company's Investment Guidelines, which covers the strategies for the funds which are invested through HSBC Saudi Arabia Limited. The funds which are invested consist of the shareholders' funds and takaful operations' funds. Each fund is Shariah-compliant and has its own investment objectives and underlying assets. The Finance Department liaises with the Company's Fund Managers to ensure the Funds are managed and invested according to specific investment strategies balancing risk and return for our shareholders, customers and the Company.

The following chart presents the structure of the Finance Department:



6.1.7 Operations

The Operations Department is the largest department in the Company and is responsible for the underlying pre and post-sales support including enhancement of the IT system. The Operations Department is departmentalised by function and business line to ensure roles and responsibilities are clear which leads to efficiency in the day-to-day running of the Company. The functions in turn support the Company's main lines of business (Family and General Takaful). A summary of the main activities conducted by the Operations Department for the two major business lines is as follows:

1. Servicing and Complaints Handling:

- Assisting in the dispatch of takaful plans to customers.
- Handling general service enquiries, customer requests for alterations and cancellations.
- Updating customer personal data.
- Handling customer complaints.
- Renewing policies.
- Assisting the Company in the retention of customers.

2. Preparing and Managing Documents :

- Production of management information for internal and external audiences.
- Checking documentation such as application forms, scanning, archiving and uploading data in the IT system.
- Preparing periodic reports on documentation discrepancies and errors and liaising with distribution channels to amend and clarify such errors.

3. Collections:

- Collection of contributions for Family and General Takaful plans.
- Investigation and management of non-collections.

4. Claims Management:

- Handling customer claim requests in a prompt manner.
- Providing customers with claim solutions and addressing policy-related claim enquiries.
- Maintaining an accurate claims reserve and claims records.

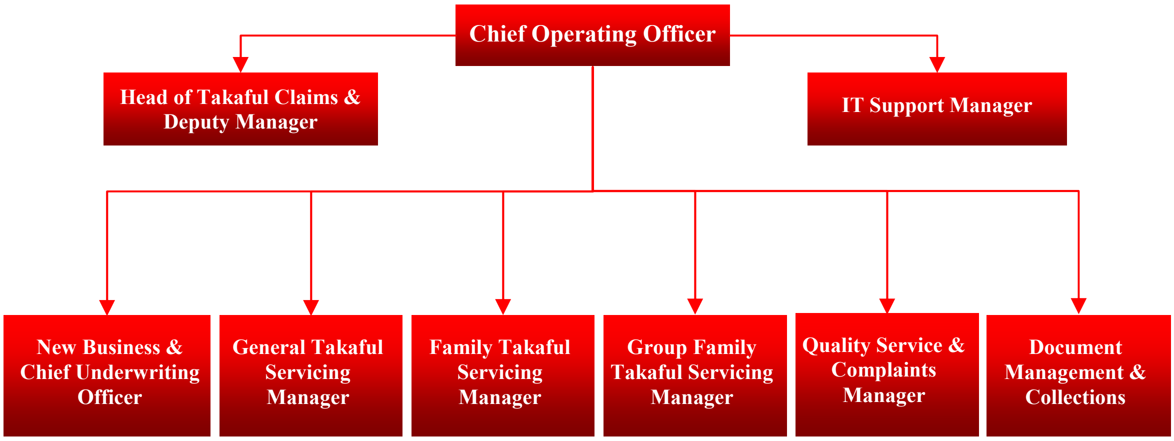
5. New Business:

- Underwriting new business and preparing group plan applications.
- Assisting the Company in the retention of customers

6. Information Technology Support:

- Managing relationships with internal and external information technology-related entities.
- Scoping and costing new information technology projects.
- Managing projects related to amendments and improvements to the Company's information technology based systems.

The following chart presents the structure of the Operations Department:



6.1.8 Marketing

The main responsibility of SABB Takaful's Marketing Department is to plan and implement marketing and promotional programs and communications in relation to the Company's takaful products. SABB Takaful's marketing and promotional material are prepared with the objective of supporting the Company's vision and goals and to communicate the value of SABB Takaful products and services to existing and potential customers. The Marketing Department consists of the Head of Marketing, the Marketing Manager and an Assistant Marketing Manager. Currently, the position of Head of Marketing is vacant, and the Company is seeking to employ an experienced professional as Head of Marketing.

In summary, the Company's marketing activities include the following:

- Planning, designing and executing an effective mix of advertising, marketing communications, joint promotions, direct marketing, events, branch merchandising and sales support tools in the effort to increase visibility, awareness and sales for the Company.
- Creating an annual marketing strategy in line with the Company's objectives outlining campaigns to support sales targets.
- Coordinating new product launches.
- Implementing brand-marketing campaigns.
- Conducting continuous market research to understand the purchasing decision criterion and intention of customers so that the Company can constantly offer tailor-made and appropriate products to meet customer needs.
- Following internal and regulatory standard processes, guidelines, procedures and policies for marketing and advertisements.

Alongside conventional means of media advertising to the public, distribution of SABB Takaful's marketing and promotion materials is achieved through SABB Takaful's website and SABB's distribution franchise. This may include direct mail to customers, advertising in SABB's branch and ATM network, promotions on the SABB and SABB Takaful websites and so on.

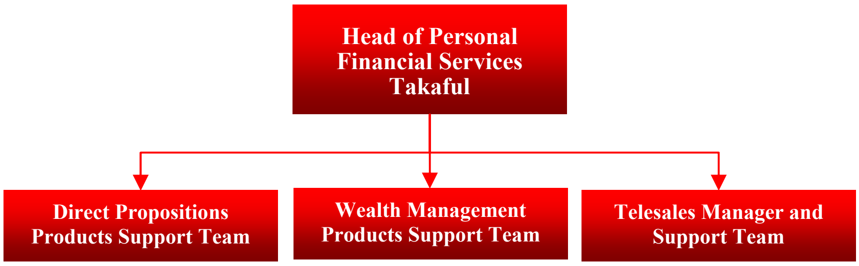
6.1.9 Personal Financial Services (PFS) Takaful and Commercial Takaful

The objective of the Personal Financial Services Takaful and Commercial Takaful Departments is to provide a customer-centric focus on all aspects of the Company's Family and General Takaful products. Overall, the Departments aim to deliver on individual and commercial sales targets, current and future business propositions and to ensure that products developed are up to HSBC Group standards.

Personal Financial Services (PFS) Takaful:

The Personal Financial Services Takaful Department focuses on individual customers. The Department is responsible for sales and distribution support, product development and management, product and system training, delivery of retail business propositions and ensuring that the products developed are up to HSBC Group standards.

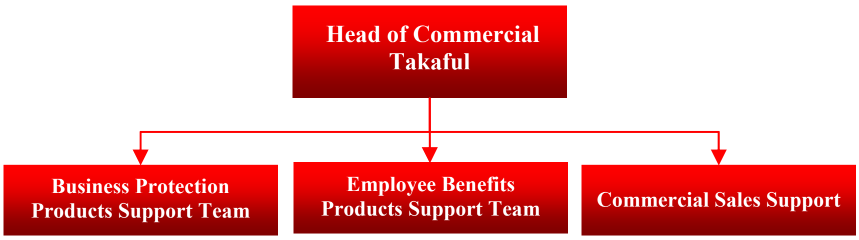
The following chart presents the structure of the Personal Financial Services Takaful Department:



Commercial Takaful:

Similarly, the Commercial Takaful Department is focused on SABB Takaful's commercial customers. The Department is responsible for underwriting and risk assessment, policy issuance and contribution collections support, sales and distribution support, product development and management, product and system training and to enhance commercial sales channels via SABB's various small and medium-sized enterprises, Commercial Banking, and Corporate Banking departments as well as through insurance brokers.

The following chart presents the structure of the Commercial Takaful Department:



6.2 Employees

SABB Takaful has a strong blend of exceptional local talent, and internationally recruited experience. The Company employed 73 employees as at 31 December 2008G compared to 47 employees as at 31 December 2007G. The total number of employees has grown over the past year as shown below:

Number of Employees						
	As at 31/12/2007G			As at 31/12/2008G		
Department	**Saudi**	**Non Saudi**	**Total**	**Saudi**	**Non Saudi**	**Total**
Managing Director	0	1	1	0	1	1
Finance	3	1	4	6	4	10
Human Resource	1	0	1	2	0	2
Operations	18	5	23	32	3	35
Customer Propositions	1	0	1	1	1	2
Marketing	0	1	1	1	1	2
Internal Audit	0	1	1	0	1	1
Risk Management	1	1	2	1	1	2
Compliance	2	0	2	2	0	2
Actuary	0	1	1	1	3	4
Personal Financial Services Takaful	4	2	6	5	2	7
Commercial Takaful	2	2	4	4	1	5
Total	**32**	**15**	**47**	**55**	**18**	**73**
Percentage %	**68%**	**32%**	**100%**	**75%**	**25%**	**100%**

Source: SABB Takaful

6.3 Commitment to Saudisation

SABB Takaful follows a progressive policy on Saudisation in line with the Law of Supervision of Cooperative Insurance Companies and its Implementing Regulations. As at 31 December 2008G Saudisation levels were at 75% out of 73 employees which is above the 30% Saudisation level as required by SAMA.

7. Management Discussion and Analysis of Financial Conditions and Results of Operation

7.1 Introduction

The "Management Discussion and Analysis of Financial Conditions and Results of Operation" are based on, and should be read in conjunction with the Audited Financial Statements for the period from 15 May 2007G to 31 December 2008G including the notes thereto, which were prepared by the Management. The Financial Statements were audited by Ernst & Young and KPMG Al Fozan & Al Sadhan.

This discussion and analysis which was prepared by the Management on the Company's financial condition and results of operation may include future data that involve a number of risks and uncertainties. The final data may materially differ from those contained in the said discussion and analysis due to certain factors indicated in the following discussion or in other places in this Prospectus, particularly those contained in the "Risk Factors" section.

Directors' Declaration for Financial Information

- The Directors of the Company declare that the financial information presented in the Prospectus is extracted from SABB Takaful's Audited Financial Statements without any material change. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
- Except for the accumulated losses disclosed in the "Shareholders' Equity" section on page "55" of this Prospectus, the Directors of the Company declare that there has been no material adverse change in the financial or trading position of the Company for the financial period from 15 May 2007G to 31 December 2008G and up to the date of this Prospectus.

Qualification on the Financial Statements

The management have prepared the Financial Statements in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia subsequent to a letter issued by CMA on 27/08/2008G expressing no objection to the publication of the accounts under International Financial Reporting Standards (IFRS). This has resulted in a qualified opinion as the Auditors have been unable to conclude whether the basis used in the preparation of the Financial Statements is appropriate.

Subject to the above, the Financial Statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as at 31 December 2008G and the results of its operations and its cash flows for the period ended in accordance with International Financial Reporting Standards.
- Comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the Financial Statements.

The Company

SABB Takaful Company is a Saudi Joint Stock Company established pursuant to Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G). The Company commenced its first fiscal year subsequent to the issuance of Ministerial Resolution No. 108 dated 27/04/1428H (corresponding to 15/05/2007G) declaring the incorporation of the Company. The Company operates under Commercial Registration No. 1010234032 issued in Riyadh city dated 20/05/1428H (corresponding to 06/06/2007G) and the Saudi Arabian Monetary Agency Insurance License No. 5/20079 dated 29/08/1428H (corresponding to 11/09/2007G). The License authorises the Company to engage in protection and savings, general and miscellaneous insurance activities.

SABB Takaful provides a range of Shariah-compliant takaful solutions. These solutions focus on the individual and commercial market with a range of both Family and General Takaful products. Family Takaful products for individuals are aimed at meeting needs for education, savings, retirement, and investment. Family Takaful products are also made available to commercial customers via group protection plans. On the General side, a selection of products for travel, personal accident and home and contents is provided for individual customers while protection for marine cargo, property and fire is available for commercial customers.

Future Prospects

Since inception in May 2007G and during its operation in 2008G, SABB Takaful has enjoyed increasing sales and enhanced operating results. The company foresees potential to enlarge its market share, enhance its financial performance and cover its losses especially after the introduction of new products and services and the expansion in capacity through the increase in capital, which may potentially lead to an increased level of earnings for the Company and its Shareholders.

7.2 Summary of Significant Accounting Policies

Basis of measurement

The financial statements have been prepared on a historic cost basis except for the measurement at fair value of available-for-sale investments.

Statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of takaful operations or statement of shareholders' operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Functional and presentational currency

The functional and presentational currency of the Company is Saudi Riyals. The financial statement values are presented in Saudi Riyals rounded to the nearest thousand (SAR'000), unless otherwise indicated.

The significant accounting policies adopted in the preparation of the Company's financial statements are set out below:

a) New standards and interpretations issued but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for these financial statements:

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements (Revised)

IAS 32 – Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

The application of the above Standards is not expected to have a material impact on the financial statements as and when they become effective. However, the application of these standards will result in amendments to the presentation of the financial statements.

b) Product classification

Takaful contracts are those contracts where the Company (the insurer) has accepted significant takaful risk from another party (the plan holders) by agreeing to compensate the plan holders if a specified uncertain future event (the insured event) adversely affects the plan holders. As a general guideline, the Company determines whether it has significant takaful risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Takaful contracts have discretionary participation features (DPF). DPF are contractual rights to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract
  - the profit or loss of the takaful operation.

c) Claims

Claims consist of amounts payable to plan holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not. Provisions for reported claims not paid as at the balance sheet date, are made on the basis of individual case estimates. In addition, a provision based on the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the balance sheet date.

Any difference between the provisions at the balance sheet date and settlements and provisions in the following year is included in the underwriting account for that year.

d) Reserve for takaful activities

The reserve for takaful activities is calculated on the basis of a prudent prospective external actuarial valuation method through the use of prospective discounted cash flow techniques or the current unit fund price.

The actuarial valuation includes a provision for participation which is the amount the Company expects to pay investment contract holders.

e) Liability adequacy test

At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of the takaful contract liabilities net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of takaful operations initially by writing off of related deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

f) Retakaful

Retakaful contracts are contracts entered into by the Company under which the Company is compensated for losses on takaful contracts issued.

The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful assets. These assets consist of the retakaful share of settlement of claims and other receivables such as profit commissions and retakaful share of outstanding claims that are dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful companies are recognised consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract.

At each reporting date, the Company assesses whether there is any indication that a retakaful asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of a retakaful asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment is recognised in the statement of takaful operations.

In line with the objective to provide first-class security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its retakaful programs.

g) Deferred policy acquisition costs (DPAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of takaful contracts are deferred to the extent that these costs are recoverable out of future contributions. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the term of expected future contributions. Amortisation is recorded in the statement of takaful operations.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value an impairment loss is recognised in the statement of takaful operations. DPAC is also considered in the liability adequacy test for each reporting period.

h) Financial assets

The Company's financial assets are classified as available-for-sale investments and held-to-maturity investments.

The classification depends on the purpose for which the investments were acquired or originated. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are passively managed and/or carried at amortised cost.

Available-for-sale financial assets held to cover unit-linked liabilities:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories available under IAS 39. These investments are initially recorded at fair value. After initial measurement available-for-sale investments are measured at fair value. Fair value gains and losses are reported as a separate component and included under the reserve for takaful activities.

Financial assets held to cover unit-linked liabilities represent assets associated with certain contracts, for which the investment risk lies predominantly with the contract holder. These represent investments in units of mutual funds, which are readily marketable.

Financial assets held-to-maturity:

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial recognition, held-to-maturity investments are measured at amortised cost, using the effective yield method. Gains and losses are recognised in the statement of shareholders' operations when the investments are derecognised or impaired, as well as through the amortisation process.

i) De-recognition of financial instruments

The de-recognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

j) Trade date accounting

All regular way purchases and sales of financial assets are recognised/derecognised on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the timeframe generally established by regulation or convention in the market place.

k) Fair values

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on Management's best estimates and the discount rate used is a market related rate for a similar instrument.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

l) Impairment and un-collectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets (including retakaful receivables) may be impaired. If such evidence exists, any impairment loss is recognised in the statement of takaful operations or the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of takaful operations or the statement of shareholders' operations;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation is calculated on a straight line basis over the useful life of the assets. The useful life of software is five years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of shareholders' operations in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of shareholders' operations when the asset is derecognised.

n) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of takaful receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of takaful operations. Takaful receivables are derecognised when the de-recognition criteria for financial assets have been met.

o) Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

p) Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

q) Income recognition

Contributions are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned contribution represents the portion of contribution written relating to the unexpired period of coverage at the balance sheet date. The change in the provision for unearned contribution is taken to the statement of takaful operations in order that revenue is recognised over the period of risk.

The underwriting surplus represents contributions earned less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to retakaful, less provision for any anticipated future losses on continuing policies.

Commissions receivable on outward retakaful contracts are deferred and amortised on a straight line basis over the term of the expected contributions payable.

Commission income is accounted for on an effective yield basis.

r) Zakat

The company is subject to zakat in accordance with the Saudi Arabian fiscal regulations. Zakat is accrued and charged directly to shareholders' equity.

s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and murabaha deposits with an original maturity of three months or less at original acquisition.

t) Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of takaful operations, except when they relate to items where gains or losses are recognised directly in equity and the gain or loss is recognised net of the exchange component in equity.

As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant and have not been disclosed separately.

u) Statutory reserve

In accordance with its Articles of Association, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the capital. In view of the incurred losses, no such transfer has been made for the period ended 31 December 2008G.

v) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. For management purposes, the Company is organised into business units based on their products and services and has three reportable operating segments as follow:

1. Individual Family Takaful products meet individual customer needs such as financial protection for dependants in the event of death or disability of the plan holder, children's education, saving for retirement and protection for the family and more. These products cater to various segments of the Saudi market to all classes of society
2. Group Family Takaful products provide cover for employees and their family in the event of death or total and permanent disability. Packaged as Group Takaful solutions, they meet the protection needs of groups of various nature and sizes and are ideal for corporations or institutions
3. General Takaful products for companies provide companies with cover for business protection. The provision of solutions targeted towards business property and marine cargo for unpredictable events safeguard the plan holder. General Takaful solutions for individuals protect the individual and family against unfortunate events with respect to the plan holder's home property, incidences during travel and personal accident.
4. Shareholders' Funds is a non-operating segment. Commission income earned from investments and murabaha deposits is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The losses or surplus from the takaful operations would be allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. Company financing and zakat are managed on a Company basis and are not allocated to individual operating segments.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company.

Because the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Significant accounting estimations and assumptions

The significant accounting estimations and assumptions adopted in the preparation of the Company's financial statements are set out below:

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

a) The ultimate liability arising from claims made under general takaful contracts

The estimation of the ultimate liability arising from claims made under general takaful contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the balance sheet date, for which the insured event has occurred prior to the balance sheet date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

b) **The ultimate liability arising from claims made under individual and group takaful contracts**

The liability for individual and group takaful contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Lapse and surrender rates depend on product features, policy duration and external circumstance, such as sale trends. Credible own experience is used in establishing these assumptions.

c) **Impairment losses on receivables**

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

d) **Deferred policy acquisition costs**

Certain acquisition costs related to the sale of new policies are recorded as deferred policy acquisition costs (DPAC) and are amortised in the statement of takaful operations over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs in the statement of takaful operations.

e) **Classification of held-to-maturity investments**

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgement, the Company evaluates its intention and ability to hold such investments to maturity.

7.3 Balance Sheet

The following exhibit summarises the balance sheet for the Company as at 31 December 2008G:

Balance Sheet	
(SAR'000)	**As at 31/12/2008G**
TAKAFUL OPERATIONS' ASSETS	
Available-for-sale investments	65,561
Contributions receivable, net	25,744
Retakaful share of outstanding claims	7,457
Retakaful share of unearned contributions (general takaful)	23,818
Deferred policy acquisition costs	4,256
Prepayments and other receivables	1,456
Cash and cash equivalents	28,139
Total Takaful Operations' Assets	**156,431**
SHAREHOLDERS' ASSETS	
Intangible assets	4,440
Held-to-maturity investments	15,000
Prepayments and other receivables	669
Statutory deposit	10,000
Due from takaful operations	9,798
Cash and cash equivalents	12,520
Total Shareholders' Assets	**52,427**
TOTAL ASSETS	**208,858**
TAKAFUL OPERATIONS' LIABILITIES	
Reserve for takaful activities	65,561
Unearned contributions (general takaful)	36,706
Gross outstanding claims	9,546
Unearned commission income	2,971
Retakaful balances payable	22,451
Payables, accruals and others	9,398
Due to shareholders	9,798
Total Takaful Operations' Liabilities	**156,431**
SHAREHOLDERS' EQUITY AND LIABILITIES	
Shareholders' Equity:	
Share capital	100,000
Accumulated losses	(48,863)
Total Shareholders' Equity	**51,137**
Shareholders' Liabilities:	
Payables, accruals and others	632
Provision for zakat	658
Total Shareholders' Liabilities	**1,290**
Total Shareholders' Equity and Liabilities	**52,427**
TOTAL TAKAFUL OPERATIONS' LIABILITIES, SHAREHOLDERS' EQUITY AND LIABILITIES	**208,858**

Source: Audited Financial Statements

The Company maintains separate books of account for the takaful operations and shareholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by Management and the Board of Directors.

7.3.1 TAKAFUL OPERATIONS' ASSETS

7.3.1.1 Available-for-sale investments

SABB Takaful provides several unit-linked programs that involve term investments covering the planholder. The planholders have an option to choose from eight underlying Amanah Funds that are managed by HSBC Saudi Arabia Limited. The investments are held at market value and classified as available-for-sale securities. The details of funds are as follows:

Available-for-sale investments	
(SAR'000)	**As at 31/12/2008G**
Amanah Trading Fund SAR	32,091
Investments In Pan European Equity Fund	7,690
Investments in GCC Fund	6,054
Amanah Global Equity Index Fund	5,754
Investments In Asia Pacific Equity Fund	5,433
Amanah Saudi Equity Fund	5,293
Amanah Saudi Industrial Fund	3,245
Amanah Trading Fund USD	1
Total Value of the funds	**65,561**

Source: SABB Takaful

7.3.1.2 Contributions receivable, net

The contributions receivable represents the contributions due to be received from individual planholders and corporate customers. The contributions receivable reported are net of the provision for impairment as per Article 69 Clause (d) of the Saudi Arabian Monetary Agency's Implementing Regulations. The Company has a credit policy approved by its Executive Committee for its corporate clientele and a credit control function in place which monitors and tracks contributions due on a regular basis and initiates follow-ups and collection measures. The details of the contributions receivable are as follows:

Takaful Operations' contributions receivable	
(SAR'000)	**As at 31/12/2008G**
Due from planholders	5,857
Provision for impairment	(288)
Due from related parties:	
- Takaful contributions from SABB	20,175
Total	**25,744**

Source: SABB Takaful

The amount due from related parties pertains to the contributions due on the group takaful policy sold to SABB (see "Other Agreements" on page "76").

7.3.1.3 Retakaful share of outstanding claims

These claims represent the total of the claims due to be received from the various retakaful companies. SABB Takaful has treaty agreements with the following companies: Swiss Reinsurance Company in Switzerland, Hannover Retakaful B.S.C. in Bahrain, HSBC Reinsurance Limited in Ireland, and Arab Insurance B.S.C. in Bahrain (see "Reinsurance Agreements" on page "75").

7.3.1.4 Retakaful share of unearned contributions (general takaful)

Retakaful share of unearned contributions (general takaful) represents the portion of contributions ceded relating to the unexpired period of coverage at the date of the balance sheet.

7.3.1.5 Deferred policy acquisition costs

The deferred policy acquisition costs represent direct and indirect costs incurred during the financial period arising from the writing or renewing of takaful contracts. These costs are deferred to the extent that these costs are recoverable out of future contributions. All other acquisition costs are recognised as an expense when incurred.

7.3.1.6 Prepayments and other receivables

The following table presents the details of prepayments and other receivables under the takaful operations' assets:

Prepayments and other receivables	
(SAR'000)	**As at 31/12/2008G**
Due from related parties:	
The Saudi British Bank	
- Marketing expenses	23
- Overhead expenses	212
HSBC Saudi Arabia Limited	
- Rebates	7
HSBC Reinsurance Limited (Ireland)	
- Overhead expenses	81
- Information Technology costs	750
Prepayments and others	383
Total	**1,456**

Source: SABB Takaful

The marketing expenses due from SABB relate to ad-hoc services performed by SABB Takaful. The rebates due from HSBC Saudi Arabia Limited are reimbursable service costs based on an investment agreement (see "Investment Agreement" section on page "73"). The dues from HSBC Reinsurance Limited (Ireland) mainly relate to reimbursable Information Technology costs paid for by SABB Takaful. All other overhead expenses are reimbursable and are attributable to the re-appointment of staff among the related parties.

Other prepayments pertain to the various operational prepayments incurred by the Company on a regular basis including fees paid to Tadawul, employee residential rent and others.

7.3.2 SHAREHOLDERS' ASSETS

7.3.2.1 Intangible assets

The total value of intangible assets represent software licensing and implementation costs that were capitalised and are being amortised over a period of five years.

Intangible Assets	
(SAR'000)	**As at 31/12/2008G**
Software licensing costs	6,128
Less: accumulated amortisation	(1,688)
Net value of intangible assets	**4,440**

Source: Audited Financial Statements

7.3.2.2 Held-to-maturity investments

Held-to-maturity investments represent amounts invested in the Sukuks of the Saudi Basic Industries Corporation (SABIC), the Saudi Electricity Company (SEC) and Saudi Holland Bank (SHB). SABB Takaful intends to hold these instruments until maturity. The details of Sukuks are as follows:

Held-to-maturity investments		
(SAR'000)	**As at 31/12/2008G**	**Maturity Date**
Sukuks of SABIC company	5,000	15/07/2012G
Sukuks of the Saudi Electricity Company (SEC)	5,000	15/07/2012G
Sukuks of the Saudi Holland Bank (SHB)	5,000	29/12/2019G
Total	**15,000**	**-**

Source: Audited Financial Statements

7.3.2.3 Prepayments and other receivables

The following table presents the details of prepayments and other receivables under the shareholders' assets:

Prepayments and other receivables	
(SAR'000)	**As at 31/12/2008G**
Due from related parties:	
The Saudi British Bank	
- Overhead expenses	53
HSBC Reinsurance Limited (Ireland)	
- Overhead expenses	20
HSBC Middle East Limited	
- Overhead expenses	337
SABB Insurance Services Limited	
- Legal fees	52
Accrued investment income	120
Prepayments and others	87
Total	**669**

Source: SABB Takaful

The amounts due from SABB, HSBC Reinsurance Limited (Ireland) and HSBC Middle East Limited pertain to reimbursements of overhead expenses as a result of re-appointments of staff among the related parties. The legal fees are reimbursable payments made by SABB Takaful which relate to takaful transactions with SABB Insurance Services Limited.

The accrued investment income represents the amount of commission due on the Murabaha deposits placed with the Saudi British Bank. These deposits are placed for varying periods of time between one day and three month periods, depending on the cash requirement of the Company. The deposits are subject to an average variable commission rate of 3.0%.

Other prepayments represent various operational prepayments incurred by the Company on a regular basis including fees paid to Tadawul, employee residential rent and others.

7.3.2.4 Statutory deposit

The statutory deposit account represents an amount of SAR 10.0 million placed in a local bank on behalf of SAMA as per Article 58 of the Implementing Regulations. The Article states that every insurance entity licensed and operating in the Kingdom of Saudi Arabia must have an amount of 10% of the paid-up capital deposited as a statutory deposit in a designated bank as specified by SAMA. This statutory deposit cannot be withdrawn without the consent of SAMA.

7.3.2.5 Due from takaful operations

The Company conducts the business and advances funds to the takaful operations as required. During the period ended 31 December 2008G, the shareholders had advanced funds amounting to SAR 9.8 million to finance the takaful operations.

7.3.3 TAKAFUL OPERATIONS' LIABILITIES

7.3.3.1 Reserve for takaful activities

The reserve for takaful activities is calculated on the basis of a prudent prospective external actuarial valuation method through the use of prospective discounted cash flow techniques or the current unit fund price.

The actuarial valuation includes the reserve for takaful activities which is the amount the Company expects to pay planholders.

7.3.3.2 Unearned contributions (general takaful)

Contributions are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned contributions represent the portions of contributions written relating to the unexpired period of coverage at the date of the balance sheet.

7.3.3.3 Gross outstanding claims

The gross outstanding claims represents the amount of claims reported during the period and claims reserves for the period that are pending settlement. The amount is gross of the retakaful share of claims. The amount is payable to the planholders upon completion of the claims investigation and documentation and after the validity of the amount due for settlement is ascertained.

7.3.3.4 Unearned commission income

This represents the amount of commission received from the retakaful companies on account of ceding business to them. The commission received from each policy is deferred throughout the term of the policy.

7.3.3.5 Retakaful balances payable

Retakaful balances represent the amount of contribution payable to the retakaful companies with whom the Company has retakaful arrangements including Swiss Reinsurance Company in Switzerland, Hannover Retakaful B.S.C. in Bahrain, HSBC Reinsurance Services Limited in Ireland and Arab Insurance B.S.C. in Bahrain.

7.3.3.6 Payables, accruals, and others

The majority of payables to related parties pertain to overhead expenses due to SABB as per a technical assistance and services agreement entered into with SABB (see "Technical Assistance and Services Agreement" section on page "74"). The balance relates to rebates for investment services provided by HSBC Saudi Arabia Limited based on an Investment Agreement (see "Investment Agreement" section on page "73").

The accrued expenses represent operating expense accruals as at the end of each reporting period. Payables to agents represent commissions due to sales agents as per an agency and sales agreement entered into with SABB Insurance Agency Company Limited and SABB (see "Takaful Agency and Sales Agreement" section on page "73"). The details are as follows:

Takaful Operations' payables, accruals and others

(SAR'000)	As at 31/12/2008G
Due to related parties:	
The Saudi British Bank	
- Overhead expenses	2,091
HSBC Saudi Arabia Limited	
- Rebates	9
Accrued expenses:	
- Salaries and benefits	1,496
- Professional charges	968
- Information technology expenses	320
- Other office & administrative expenses	741
Payables to agents	3,773
Total	**9,398**

Source: SABB Takaful

7.3.3.7 Due to shareholders

The Company conducts the business and advances funds to the takaful operations as required. During the period ended 31 December 2008G, the shareholders had advanced funds amounting to SAR 9.8 million to finance takaful operations.

7.3.4 SHAREHOLDERS' EQUITY AND LIABILITIES

7.3.4.1 Shareholders' Equity

The paid-up share capital of the Company is SAR 100 million consisting of 10 million shares with a nominal value of SAR 10 each. SABB Takaful registered accumulated losses of SAR 48.9 million during the period ended 31 December 2008G mainly due to pre-operating expenses of SAR 32.1 million which were charged fully in the first year of operations.

7.3.4.2 Payables, accruals and others

Payables to related parties pertain to overhead expenses due to SABB as per a technical assistance and services agreement entered into with SABB (see "Technical Assistance and Services Agreement" section on page "74"), while the accrued expenses represent operating expense accruals as at the end of each reporting period. The details are as follows:

Shareholders' payables, accruals and others	
(SAR'000)	**As at 31/12/2008G**
Due to related parties:	
- Overhead expenses due to SABB	116
Accrued expenses:	
- Salaries and benefits	274
- Professional charges	128
- Information technology expenses	80
- Other office & administrative expenses	34
Total	**632**

Source: SABB Takaful

7.4 Results of Operations

The following exhibit summarises the Results of Operations for the Company for the period from 15 May 2007G to 31 December 2008G:

Statement of Takaful and Shareholders' Operations	
(SAR'000)	**For the period from 15/05/2007G to 31/12/2008G**
STATEMENT OF TAKAFUL OPERATIONS	
Revenue:	
Family Takaful	166,248
General Takaful	46,530
Gross contributions written	**212,778**
Change in reserve for unearned contribution	(36,706)
Change in reserve for takaful activities	(103,121)
Gross contributions earned	**72,951**
Retakaful contributions ceded	(26,722)
Net contribution earned	**46,229**
Fees and commission income	3,889
Investment income	618
Total revenue	**50,736**
Claims and other expenses:	
Gross claims paid	(9,070)
Retakaful share of claims paid	4,499
Net claims paid	**(4,571)**
Change in gross outstanding claims	(9,546)
Change in retakaful share of outstanding claims	7,457
Net claims incurred	**(6,660)**
Commission expenses, net	(13,047)
General and administrative expenses	(39,320)
Retakaful expenses	(35)
Total claims and other expenses	**(59,062)**
Net deficit for the period from takaful operations	**(8,326)**
Net deficit transferred to statement of shareholders' operations	**8,326**
STATEMENT OF SHAREHOLDERS' OPERATIONS	
Revenue:	
Investment income	2,573
Income from sukuks	653
Total revenue	**3,226**
Expenses:	
Net deficit transferred from takaful operations	(8,326)
General and administrative expenses	(11,044)
Pre-operating expenses	(32,061)
Total expenses	**(51,431)**
Net loss for the period	**(48,205)**
Basic and diluted loss per share (SAR):	**(4.82)**

Source: Audited Financial Statements

7.4.1 STATEMENT OF TAKAFUL OPERATIONS

7.4.1.1 Revenues

SABB Takaful has two broad lines of business, Family and General Takaful. Takaful operations generate a significant portion of its revenue from contribution income, commission income from retakaful business and fee income on the products sold by the company. The following table presents the details of gross written contributions by product segments:

Gross Written Contributions per Product Segment	
(SAR'000)	**For the period from 15/05/2007G to 31/12/2008G**
Individual Takaful	
Individual Family Takaful	128,718
Individual General Takaful	11,366
Commercial Takaful	
Commercial Family Takaful (Group Takaful)	37,530
Commercial General Takaful	35,164
Total	**212,778**

Source: SABB Takaful

Other revenues include retakaful fees and commission received from the retakaful companies on account of placing business with them, and investment income on Murabaha deposits placed with the Saudi British Bank, Saudi Hollandi Bank and the National Commercial Bank.

7.4.1.2 Total claims and other expenses

The attributes of the takaful operation's total expenses are as follows:

- Claims:

  The claims incurred is the combination of the claims paid, reserve for outstanding claims and reserve for claims incurred but not reported. For the period ended 31 December 2008G, net claims incurred accounted for 3.1% of gross written contributions, which is a good indicator of quality underwriting.

- Net commissions:

  The commission expenses represent the underwriting costs incurred by the Company for procuring the business net of retakaful commission earned by SABB Takaful from ceding business to reinsurers. The net commissions are paid to the insurance agency that sells the policies on behalf of the Company (see "Takaful Agency and Sales Agreement" on page "73"). The rates of commission vary by product, distribution channel and whether it is a new policy or a top-up to an existing policy.

- General and administrative expenses:

  The general and administrative expenses represent operating expenses incurred during the period that are directly attributable to the line of business.

  The details are as follows:

Takaful Operations General and Administrative Expenses	
(SAR'000)	**For the period from 15/05/2007G to 31/12/2008G**
Employee costs	24,014
Information technology maintenance costs	5,091
Legal and professional charges	2,996
Travelling expenses	1,399
Miscellaneous expenses	5,820
Total	**39,320**

Source: Audited Financial Statements

7.4.2 STATEMENT OF SHAREHOLDERS' OPERATIONS

7.4.2.1 Revenues

The attributes of the shareholders' revenue are:

- Net deficit transferred from takaful operations
- Investment income from Murabaha Deposits
- Income from Sukuks

Net surplus or deficit from takaful operations is transferred to statement of shareholders' operations, which represents the difference between the total revenues and the total claims and expenses reported by takaful operations. Since takaful operations reported a net deficit of SAR 8.3 million as at 31 December 2008G, the deficit was transferred to the statement of shareholders' operations.

Investment income from Murabaha deposits and the income from Sukuks are not significant and predominantly low owing to the low floating commission rates that currently prevail in the market.

7.4.2.2 Expenses

The attributes of the shareholders' operations' total expenses are as follows:

- General and administrative expenses:

  The general and administrative expenses represent operating expenses incurred during the period that are directly attributable to the line of business. The details are as follows:

Shareholders' Operations General and Administrative Expenses	
(SAR'000)	**For the period from 15/05/2007G to 31/12/2008G**
Employee costs	6,003
Amortisation	1,688
Information technology maintenance costs	1,273
Legal and professional charges	749
Travelling expenses	350
Miscellaneous expenses	981
Total	**11,044**

Source: Audited Financial Statements

- Pre-operating expenses:

  Pre-operating expenses represent the expenses incurred prior to the inception of the Company in 15 May 2007G. The pre-operating expenses amounted to SAR 32.1 million and were charged fully in the first year of operations. The following table presents the details of the pre-operating expenses incurred by the company prior to inception:

Pre-operating Expenses (SAR'000)	
Salaries and employee costs	19,647
Initial Public Offering (IPO) expenses	7,132
Legal and professional charges	666
Advertising expenses	279
Travelling expenses	1,844
Administrative and support expenses	1,832
Miscellaneous expenses	2,873
Commission income	(2,212)
Total	**32,061**

Source: SABB Takaful

7.4.3 Zakat

As at 31 December 2008G, the Company recorded a zakat liability of SAR 658,490 for which adequate provision has been made.

7.4.4 Net loss for the period

SABB takaful reported a net loss of SAR 48.2 million for the period from 15 May 2007G to 31 December 2008G. This was predominantly due to the pre-operating expense charge of SAR 32.1 million incurred for the establishment of the Company.

7.5 Statement of Cash Flows

The following table presents the Statement of Takaful Operations' and Shareholders' Cash Flows for the Company for the period from 15 May 2007G to 31 December 2008G:

Statement of Takaful Operations' and Shareholders' Cash Flows	
(SAR'000)	**For the period from 15/05/2007G to 31/12/2008G**
TAKAFUL OPERATIONS' CASH FLOWS	
Operating activities:	
Changes in operating assets and liabilities:	
Available-for-sale investments	(65,561)
Contributions receivable, net	(25,744)
Retakaful share of outstanding claims	(7,457)
Retakaful share of unearned contributions (general takaful)	(23,818)
Deferred policy acquisition costs	(4,256)
Prepayments and other receivables	(1,456)
Reserve for takaful activities	65,561
Unearned contributions (general takaful)	36,706
Gross outstanding claims	9,546
Unearned commission income	2,971
Retakaful balances payable	22,451
Payables, accruals and others	9,398
Net cash from operating activities	**18,341**
Financing activities:	
Due to shareholders	9,798
Net cash from financing activities	**9,798**
Cash and cash equivalents as at 31 December 2008G	**28,139**
Non-cash supplemental information:	
Net change in the fair value of investments	**(19,774)**
TAKAFUL SHAREHOLDERS' CASH FLOWS	
Operating activities:	
Net loss for the period	(48,205)
Adjustment for:	
Amortisation	1,688
Changes in operating assets and liabilities:	
Prepayments and other receivables	(669)
Statutory deposit	(10,000)
Payables, accruals and others	632
Net cash used in operating activities	**(56,554)**
Investing activities:	
Purchase of held-to-maturity investments	(15,000)
Purchase of intangible assets	(6,128)
Due from takaful operations	(9,798)
Net cash used in investing activities	**(30,926)**
Financing activities:	
Issue of share capital	100,000
Net cash from financing activities	**100,000**
Cash and cash equivalents as at 31 December 2008G	**12,520**

Source: Audited Financial Statements

7.5.1 TAKAFUL OPERATIONS' CASH FLOWS

Takaful operations reported a cash and cash equivalents balance of SAR 28.1 million as at 31 December 2008G, and the details of the cash flows from takaful operations are as follows:

7.5.1.1 Cash flows from operating activities

Despite reporting net losses, takaful operations generated a net operating cash inflow of SAR 18.3 million in the period from inception to 31 December 2008G.

7.5.1.2 Cash flows from financing activities

The Company conducts the business and advances funds to the takaful operations as required. The shareholders had advanced funds of SAR 9.8 million to finance the takaful operations which generated a cash inflow during the period ended 31 December 2008G,

7.5.1.3 Net change in the fair value of investments

Fair value of planholders' investments recorded a decrease of SAR 19.8 million as at 31 December 2008G following adverse economic conditions. These investments represent holdings in Shariah-compliant Amanah funds (see "Available-for-sale Investments" section on page "51"). The risks and rewards of their investments belong to the planholders.

7.5.2 SHAREHOLDERS' CASH FLOWS

Shareholders' operations reported a cash and cash equivalents balance of SAR 12.5 million as at 31 December 2008G, and the details of the cash flows from shareholder's operations are as follows:

7.5.2.1 Cash flows from operating activities

Net operating cash outflows of SAR 56.6 million occurred in the period from 15 May 2007G to 31 December 2008G, mainly to account for the settlement of pre-operating expense, operating expenses and a statutory deposit of SAR 10.0 million.

7.5.2.2 Cash flows from investing activities

Since inception, the Company has utilised its cash for the following investing activities:

- Purchase of intangible assets

  Purchase of intangible assets represents the amount of software licensing and implementation costs that were capitalised. Overall purchases since inception until 31 December 2008G amounted to SAR 6.1 million.

- Purchase of held-to-maturity investments

  These investments represent the investment of SAR 5.0 million in each of the Sukuks of Saudi Basic Industries Corporation (SABIC), Saudi Electricity Company (SEC) and Saudi Hollandi Bank (SHB). The Company purchased the SABIC and SEC Sukuks in July 2007G while the SHB Sukuks were purchased in December 2008G. The company intends to hold the Sukuks until maturity.

- Due from takaful operations

  The Company conducts the business and advances funds to the takaful operations as required. During the period ended 31 December 2008G, the shareholders had advanced funds amounting to SAR 9.8 million to finance the takaful operations.

7.5.2.3 Cash flows from financing activities

The issue of share capital of SAR 100 million raised prior to the commencement of commercial operations of SABB Takaful was the only financing activity for the Company during the period ended 31 December 2008G.

7.6 Liquidity policy

The following table exhibits the cash and cash equivalents for the Company as at 31 December 2008G:

Cash and Bank Balances	
(SAR'000)	**As at 31/12/2008G**
Cash and cash equivalents under takaful operations' assets	28,139
Cash and cash equivalents under shareholders' assets	12,520
Total	**40,659**

Source: Audited Financial Statements

Cash is primarily held in Murabaha deposits with banks and in compliance with Shariah principles. Liquidity is maintained through short term fixed rolling deposits with an option to foreclose at anytime.

Moreover, SABB Takaful was granted a SAR 25,000,000 financing facility available for the issuance of payment guarantee in favour of the Council for Co-operative Health Insurance, as well as a SAR 25,000,000 financing facility available by way of Short Term Islamic Financing (Al Yusr Tawarruq). Both financing facilities have not been availed by the Company as yet (see "Financing Agreements" section on page "75").

Except for the financing facilities mentioned above, there is no other borrowing or indebtedness of SABB Takaful including bank overdrafts, liabilities under acceptances, acceptance credits or hire purchase commitments.

The Board of Directors also confirm that the Company does not have any debt instruments issued and outstanding, authorised or otherwise created but unissued, or any term loans as at the date of this Prospectus.

8. Dividends Policy

8.1 Dividend Distribution

Dividends may be distributed by the Company from its annual net profit after Zakat and tax allocations, and will be calculated from the Company's net profit after providing for planholders' share of profit. However, prior to the payment of dividends, the Company is required to deduct twenty (20%) percent of the net profit after zakat and income tax, and allocate such amount to statutory reserve up to the point that the statutory reserve account balance is equal to 50% of the Company's capital. SABB Takaful will coordinate with and obtain approval from SAMA prior to announcement of dividend distribution, if any.

Any declaration of dividends will be dependent upon the Company's earnings, its financial condition, the condition of the markets, the general economic climate, and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, and the effect of such dividends on the Company's Zakat position, as well as other legal and regulatory considerations.

The distribution of dividends is subject to certain limitations contained in the Company's By- Laws (See "Summary of By-Laws" section on page "81"). Dividends shall be distributed to shareholders at the place and time as may be determined by the Board of Directors, in accordance with the directives issued by the Ministry of Commerce and Industry and subject to the prior written approval of SAMA.

The New Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and subsequent fiscal years.

SABB Takaful has not distributed any Dividends since its inception in May 2007G.

9. Capitalisation and Indebtedness

The following table exhibits the capitalisation and indebtedness of the Company:

Capitalisation and Indebtedness	
(SAR'000)	**As at 31/12/2008G**
Takaful Operations' Liabilities:	
Reserve for takaful activities	65,561
Unearned contributions (general takaful)	36,706
Gross outstanding claims	9,546
Unearned commission income	2,971
Retakaful balances payable	22,451
Payables, accruals and others	9,398
Due to shareholders	9,798
Total Takaful Operations' Liabilities	**156,431**
Shareholders' Liabilities:	
Payables, accruals and others	632
Provision for zakat	658
Total Shareholders' Liabilities	**1,290**
Total Liabilities	**157,721**
Shareholders' Equity:	
Issued Share Capital	100,000
Accumulated Losses	(48,863)
Total Shareholders' Equity	**51,137**
Total Capitalisation and Indebtedness	**208,858**

Source: Audited Financial Statements

The Company has entered into a banking facilities agreement dated 21/06/2008G with Saudi Hollandi Bank. According to this agreement, the Company was granted a SAR 25,000,000 financing facility available for the issuance of payment guarantee in favour of the Council for Co-operative Health Insurance and valid until 31/12/2011G, as well as a SAR 25,000,000 financing facility available by way of Short Term Islamic Financing (Al Yusr Tawarruq) available for a maximum period of one (1) year.

These facilities are conditioned by the execution of a promissory note in the amount of SAR 50,000,000 payable on demand. To date, the facilities are still available and no amount has been used by the Company.

The Company entered into a Master Murabaha Financing Agreement dated 23/06/2008G with Saudi Hollandi Bank pursuant to which SABB Takaful will request Saudi Hollandi Bank – Islamic Finance Division to purchase and resell to the Company, on a deferred payment basis, any goods, products or commodities permissible by Shariah and agreed between the Bank and the Company. This agreement is governed in accordance with the laws of the Kingdom of Saudi Arabia.

Except for what has been mentioned above:

- There are no debt instruments of the Company that are issued, outstanding or authorised but unissued, and there are no term loans that are guaranteed, unguaranteed, secured or unsecured as of the date of this Prospectus.
- There is no other borrowing or indebtedness of the Company including bank overdrafts, liabilities under acceptances, acceptance credits or hire purchase commitments, that are guaranteed, unguaranteed, secured or unsecured as of the date of this Prospectus.
- There are no mortgages, rights or charges on the Company's properties as of the date of this Prospectus.
- There are no contingent liabilities or guarantees of the Company as of the date of this Prospectus.

9.1 Capital Structure

The paid-up share capital of the Company is SAR 100,000,000 consisting of 10,000,000 shares with a nominal value of SAR 10 each, of which 6,500,000 shares were issued against cash contributions by the Founding Shareholders representing 65% of the Company's share capital. The balance of 3,500,000 shares (35%) was issued to the public via an initial public offering ("IPO") held from 27/02/1428H (corresponding to 17/03/2007G) until 08/03/1428H (corresponding to 26/03/2007G), at an Offer Price of SAR 10 per share.

Founding Shareholders of SABB Takaful			
Name	**Percentage**	**Number of Shares**	**Par Value (SAR)**
The Saudi British Bank	32.5%	3,250,000	32,500,000
HSBC Asia Holdings B.V.	31.0%	3,100,000	31,000,000
Canada Square Nominees (U.K.) LTD.	0.50%	50,000	500,000
Canada Water Nominees (U.K.) LTD.	0.50%	50,000	500,000
Canada Crescent Nominees (U.K.) LTD.	0.50%	50,000	500,000
Public	35.0%	3,500,000	35,000,000
Total	**100.0%**	**10,000,000**	**100,000,000**

Source: SABB Takaful

The Company's Board of Directors declare that there is no Capital of the Company which is under option, and no privileges or rights have been granted by the Company to the Founding Shareholders, or to any other person.

In its meeting on 24/09/1429H (corresponding to 24/09/2008G), the Company's Board of Directors recommended a capital increase from SAR 100,000,000 to SAR 340,000,000 to finance the Company's future investments once all necessary regulatory approvals have been obtained. On 17/08/1430H (corresponding to 08/08/2009G), the EGM agreed to the recommendation and adopted a resolution increasing the Company's share capital in the aforementioned manner. The Rights Issue that is the subject of this Prospectus is open to Eligible Shareholders.

The Company received a letter of intent from the Saudi British Bank ("SABB") affirming their intention to fully exercise their rights to subscribe to 7,800,000 shares of the New Shares, representing SABB's share in the Rights offered for subscription based on the number of shares they hold on the Eligibility Date, which represent 32.5% of the total New Shares. In addition, the Company received a letter of intent from HSBC Asia Holdings B.V. affirming their intention to fully exercise their rights to subscribe to 7,440,000 shares of the New Shares, representing HSBC's share in the Rights offered for subscription based on the number of shares they hold on the Eligibility Date, which represent 31.0% of the total New Shares.

10. Description of Shares

10.1 Share Capital

The paid-up share capital of SABB Takaful is SAR 100,000,000 consisting of 10,000,000 Shares with a nominal value of SAR 10 each, all of which are cash shares paid in full.

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case, the difference in value shall be credited to a share premium account under shareholder's equity. A share shall be indivisible. If a share is held by several persons, they shall designate one person to act on their behalf in exercising the rights connected with the share. In such a case, they shall be jointly responsible for the obligations resulting from the share ownership.

Upon completion of the Rights Issue offering, the Share Capital will be SAR 340,000,000 consisting of 34,000,000 shares with a nominal value of SAR 10 per share.

10.2 Increase of Capital

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, SAMA and CMA, the General Assembly may at an Extraordinary meeting adopt a resolution to increase the Company's capital once or several times by issuing New Shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of New Shares they have applied for. The remaining New Shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that that their total allotment does not exceed the number of New Shares they have asked for.

10.3 Decrease of Capital

The Company may, based on certain justifiable causes and after obtaining the approval of SAMA, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

10.4 Shareholders' Assemblies

A General Assembly duly convened shall be considered representing all the Shareholders, and shall be held in the city of Riyadh, where the Company's head office is located.

Meetings of the General Assembly may be conducted by way of ordinary or extraordinary meetings. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly Meeting must be held at least once per year during the six months following the end of the Company's fiscal year. Other ordinary assemblies may be convened as often as needed.

The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions as may be impermissible to be amended under the Regulations. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital.

A notice of the date and agenda of the General Assembly shall be published in the Official Gazette as well as in a daily newspaper, distributed in the city of the Company's headquarters, at least twenty five (25) days prior to the date of meeting. A copy of the invitation and the agenda is to be sent to the Companies General Department at the Ministry of Commerce and Industry.

The meeting of the Ordinary General Assembly shall not be considered representative unless attended by Shareholders representing 65% of the Company's capital at the minimum. Should such participation level not be

achieved in the first meeting, the Assembly shall be convened once again within the following thirty (30) days. The invitation shall be issued as determined by Article (32) of the Company's By-Laws. The second meeting shall be considered representative irrespective of the number of shares represented.

To be considered representative, the meeting of the Extraordinary General Assembly should be attended by a number of Shareholders representing at least 65% of the Company's capital. If such requirement is not met in the first meeting, the Assembly shall be summoned once again within the following thirty (30) days. The second meeting shall be considered representative if attended by a number of Shareholders representing at least one quarter (1/4) of the Company's capital.

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the canvasser.

10.5 Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years commencing on the date of the resolution issued by the Ministry of Commerce and Industry announcing the incorporation of the Company. The duration of the Company may be extended by resolution of the Extraordinary General Assembly taken, at least one year prior to the expiration of the term.

10.6 Shareholders' Rights

Each Share shall give its holder equal rights in the Company's assets and to dividends, as well as the right to attend and vote at General Meetings.

10.6.1 Voting Rights

Each shareholder holding twenty (20) Shares or more shall have the right to attend and vote at the General Assembly. A shareholder may delegate in the form of a written proxy, another shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/her behalf. The votes in the Ordinary General Assembly Meeting as well as in the Extraordinary General Assembly Meeting shall be counted on the basis of one vote for every share.

Resolutions of the Constituent General Assembly and Ordinary General Assembly shall be made only by an absolute majority vote of the shares represented therein.

Resolutions of the Extraordinary General Assembly shall be made by a majority vote of two thirds (2/3) of the shares represented at the meeting, except for resolutions pertaining to the increase or the reduction of the capital, the extension of the duration of the Company before its term or the merger into another Company or establishment. In such cases, the resolution shall not be considered as valid unless issued by the majority vote of three quarters (3/4) of the shares represented at the meeting.

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to raise questions to the members of the Board and the Auditor in this respect. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that does not risk harming the interest of the Company. Should a shareholder feel unsatisfied with the reply, he can raise the issue with the General Assembly whose resolution is to be considered as final.

10.6.2 Distribution of Profits and Dividends

The profits shall be distributed to Shareholders after deducting all general expenses and other costs, Zakat allocations, income tax, statutory and additional reserves.

The dividends to be distributed among the Shareholders shall be paid at such place and time as determined by the Board of Directors in accordance with the directives issued by the Ministry of Commerce and Industry and subject to prior written approval of SAMA.

10.7 Dissolution and Winding-up of the Company

Upon the expiration of the Company's period, or in case of dissolution before its term, the Extraordinary General Assembly shall decide upon the method of liquidation based on the Board of Directors' recommendation. It shall also appoint one or more liquidators and determine their functions and fees.

The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified, subject to SAMA approval.

11. Use of Proceeds

11.1 Net Proceeds

The total gross proceeds from the Offering are estimated at SAR 300,000,000, of which approximately SAR 5,000,000 will be paid as fees and expenses in connection with the Offering, including fees of the financial advisor and legal advisor, in addition to underwriting expenses, receiving bank expenses, marketing expenses, printing and distribution expenses and other Offering related expenses. The Net Proceeds of the Offering estimated at SAR 295,000,000 will be utilised in financing the Company's future business plans.

The capital of SABB Takaful will increase by SAR 240,000,000 which is an increase from SAR 100,000,000 to SAR 340,000,000. The remaining proceeds of SAR 60,000,000 will be credited to the share premium account under shareholders' equity.

11.2 Use of Offering Proceeds

Insurance companies in the Kingdom of Saudi Arabia are governed by the Law of Supervision of Cooperative Insurance Companies and the accompanying Implementing Regulations. Various articles pertinent to capital requirements for establishing and maintaining an insurance company are as follows:

1. Article 3 of the Law of Supervision of Cooperative Insurance Companies states that the paid-up capital of an insurance company shall not be less than SAR 100 million.
2. Article 76 and Article 68 of the Implementing Regulations of the Law of Supervision of Cooperative Insurance Companies respectively state that an insurance company must maintain its capital, and must maintain a Statutory Solvency Margin.
3. Article 48 of the Implementing Regulations of the Law of Supervision of Cooperative Insurance Companies states that an insurance company's gross written premium shall not exceed 10 times the company's paid-up capital and reserves.

SABB Takaful intends to increase its Capital in accordance with the Articles above. The Company is determined to capitalise on growth and increase the level of penetration in the market. Having been in operation since May 2007G with a wide range of products and a sizeable customer base, SABB Takaful can leverage its strong platform to grow its business over the coming years.

SABB Takaful Company is planning to use the Offering Proceeds as follows:

- An amount of SAR 20,000,000 will be invested into the Company's brand, growth of existing products and for the introduction and growth of new products.
- The remaining proceeds of SAR 280,000,000 will be used by the Company to maintain an adequate Solvency Margin and Statutory Deposit as per Articles 48, 58, 66 and 67 of the Implementing Regulations, and as will be required by the Company's expansion plans.

The following table summarises the use of the required funds:

Summary of Required Funds (Saudi Arabian Riyals)					
	2009G	**2010G**	**2011G**	**2012G**	**Total**
Brand Investment	2,000,000	2,000,000	2,000,000	2,000,000	**8,000,000**
Growth of existing insurance products	3,000,000	1,000,000	1,000,000	1,000,000	**6,000,000**
Introduction and growth of new products	1,000,000	2,000,000	2,000,000	1,000,000	**6,000,000**
				Gross	**20,000,000**
Increase the capital base to support growth					
- Solvency and Statutory Deposit requirements	66,730,929	181,843,153	25,121,762	33,451,616	**307,147,460**
- Rights Issue expenses					**5,000,000**
- Contingency Margin					**18,989,540**
- Capital less accumulated losses					**(51,137,000)**
				Gross	**280,000,000**
				Total	**300,000,000**

Source: SABB Takaful

11.2.1 Brand Investment

Advertisement and promotion of the SABB Takaful brand is expected to incur costs of SAR 8 million, from which SAR 2 million will be spent each year starting from 2009G until 2012G. The objective is to expose the Company's brand to increase penetration and awareness in the market and differentiate SABB Takaful from its competitors. A branding strategy is in place to better position the Company in the insurance industry while remaining top of mind and relevant to the consumers. Ultimately, building the brand will create opportunities for the Company with the consumer and community at large.

11.2.2 Growth of Existing Insurance Products

The ability of SABB Takaful to grow its portfolio will depend on the awareness and continued penetration of the Company's products in the market. The Company is conscious of the importance of increasing consumer and brand awareness in the market and plans to continue to invest in this area. The Company has budgeted a sum of SAR 6 million to be spent on branding, marketing campaigns and a range of marketing promotions. An amount of SAR 3 million will be spent in 2009G, while an amount of SAR 1 million will be spent each year starting from 2010G until 2012G.

The Company intends to spend the funds in the following areas:

- Advertisements to build product brands
- Campaigns to educate the community
- Development of marketing materials
- Promotions for existing products

11.2.3 Introduction and Growth of New Products

SABB Takaful currently has ten new products submitted to SAMA for approval (see "Future Products" section on page "19"). These include:

1. Hajj & Umra Takaful Plan
2. Travel Inconvenience Takaful Plan
3. Small and Medium- sized Enterprises Takaful Package
4. Al Ersaal (Remittance) Takaful Plan
5. Public Liability Takaful Plan
6. Business Interruption Takaful Plan
7. Group Personal Accident Takaful Plan
8. Group Savings Takaful Plan
9. Group Medical Takaful Plan
10. Purchase Protection Takaful Plan

The Company has budgeted a sum of SAR 6 million to be spent on the introduction of the new products. An amount of SAR 1 million, SAR 2 million, SAR 2 million and SAR 1 million will be spent in year 2009G, 2010G, 2011G and 2012G respectively.

11.2.4 Increase the Capital Base to Support Growth

The Company intends to increase its capital base from SAR 100 million to SAR 340 million to support the growth of its existing products and introduction of new products. As per Article 48 of the Implementing Regulations of the Law of Supervision of Cooperative Insurance Companies which limits the Gross Written Premium of the Company to 10 times paid-up capital and reserves, the capital increase will allow SABB Takaful to write up to SAR 3.4 billion of business.

11.2.5 Maintain an adequate Solvency Margin and Statutory Deposit

The Solvency Margin is a minimum standard of financial health for an insurance company. Articles 66 and 67 of the Implementing Regulations require insurance companies to maintain an adequate Solvency Margin to run its operations and to meet the future expansion objectives. Moreover, Article 58 of the Implementing Regulations requires insurance companies to maintain a Statutory Deposit with SAMA equal to 10% of the paid-up capital.

The requirements of the above Articles translate to a capital-funding requirement of SAR 280 million for SABB Takaful during the next four years of operations in order for the Company to meet its growth objectives.

11.2.6 Other Benefits arising from the Capital Increase

- **Obtain a Credit Rating**

  SABB Takaful intends to hire a reputable credit rating agency to evaluate its position and provide a rating. The agency will take into consideration numerous factors in its final assessment. However, a strong capital position will support a favourable rating which will boost assurance and confidence of not just the current customer base, but also potential customers, especially larger corporate clientele which the Company is targeting to grow its business. A favourable external rating will further facilitate additional business for the Company through a number of different channels including negotiating for better terms and conditions with reinsurers; borrowing on favourable terms to support acquisition and consolidation activities; gaining a competitive advantage over competitors; and reassuring current and potential investors and the capital market at large of the Company's strong fundamentals.

- **Local and Regional Expansion of Business**

  With a strong capital base, SABB Takaful can embark on local and regional expansion of the business and benefit its shareholders through acquiring greater regional diversification through additional sales, customers and distribution channels.

12. Legal Information

12.1 Company Establishment

SABB Takaful Company was established as a Saudi Joint Stock Company in accordance with Royal Decree No. M/60 dated 18/09/1427H (corresponding to 11/10/2006G). The Company was duly incorporated subsequent to the issuance of Ministerial Resolution No. 108 dated 27/04/1428H (corresponding to 15/05/2007G) declaring the incorporation of the Company. SABB Takaful operates under Commercial Registration No. 1010234032 issued in Riyadh city on 20/05/1428H (corresponding to 06/06/2007G).

12.2 Company Headquarters

The Headquarters of SABB Takaful is located in the city of Riyadh, Kingdom of Saudi Arabia as follows:

Prince Abdulaziz bin Mesaed bin Jalawi Rd.
P.O.Box 9086, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966-1-2764400
Fax: +966-1-2764463
Website: www.sabbtakaful.com

12.3 Capital Structure

The paid-up share capital of the Company is SAR 100,000,000 consisting of 10,000,000 shares with a nominal value of SAR 10 each, of which 6,500,000 shares were issued against cash contributions by the Founding Shareholders representing 65% of the Company's share capital. The balance of 3,500,000 shares (35%) was issued to the public via an initial public offering ("IPO") held from 27/02/1428H (corresponding to 17/03/2007G) until 08/03/1428H (corresponding to 26/03/2007G), at an Offer Price of SAR 10 per share. No privileges have been granted by the Company to the Founding Shareholders, or to any other person.

Founding Shareholders of SABB Takaful			
Name	**Percentage**	**Number of Shares**	**Par Value (SAR)**
The Saudi British Bank	32.5%	3,250,000	32,500,000
HSBC Asia Holdings B.V.	31.0%	3,100,000	31,000,000
Canada Square Nominees (U.K.) LTD	0.50%	50,000	500,000
Canada Water Nominees (U.K.) LTD	0.50%	50,000	500,000
Canada Crescent Nominees (U.K.) LTD	0.50%	50,000	500,000
Public	35.0%	3,500,000	35,000,000
Total	**100.0%**	**10,000,000**	**100,000,000**

Source: SABB Takaful

The Company intends to increase its share capital by SAR 240,000,000 and upon completion of the Offering that is the subject of this Prospectus, its issued share capital will be SAR 340,000,000 divided into 34,000,000 shares with a nominal value of SAR 10 per share.

The Company received a letter of intent from the Saudi British Bank ("SABB") affirming their intention to fully exercise their rights to subscribe to 7,800,000 shares of the New Shares, representing SABB's share in the Rights offered for subscription based on the number of shares they hold on the Eligibility Date, which represent 32.5% of the total New Shares.

In addition, the Company received a letter of intent from HSBC Asia Holdings B.V. affirming their intention to fully exercise their rights to subscribe to 7,440,000 shares of the New Shares, representing HSBC's share in the Rights offered for subscription based on the number of shares they hold on the Eligibility Date, which represent 31.0% of the total New Shares.

12.4 Board of Directors and their Ownership

The Board of Directors represents SABB, other Founding Shareholders and the Public as follows:

SABB Takaful Board of Directors						
Name	**Position**	**Representation**	**Type**	**Nationality**	**Age**	**Number of Shares**
Dr. Yazid Abdulrahman Al Ohaly	Chairman	Public	Non-Executive / Independent	Saudi	49	1,111
David Robert Hunt	Managing Director	Other Founders*	Executive / Non-Independent	British	44	1,100
Mohammad Abdullah Al Mulla	Director	Public	Non-Executive / Independent	Saudi	65	1,015
Dr. Faisal Hamad Al Sugair	Director	Public	Non-Executive / Independent	Saudi	49	2,000
Fouad Abdul Wahab Al Bahrawi	Director	SABB	Non-Executive / Non-Independent	Saudi	64	1,000
Mansour Abdulaziz Al Bosaily	Director	SABB	Non-Executive / Non-Independent	Saudi	48	1,055
Adel Al Marzook Al Nasser	Director	SABB	Non-Executive / Non-Independent	Saudi	51	1,000
David Dew	Director	Other Founders*	Non-Executive / Non-Independent	British	54	1,000
Richard William Lewis Groves	Director	SABB and Other Founders*	Non-Executive / Non-Independent	British	52	1,000
Nigel Grant Hinshelwood	Director	Other Founders*	Non-Executive / Non-Independent	British	43	1,000
Vacant**	Director	Public	Non-Executive / Independent	-	-	-

Source: SABB Takaful

* The Other Founders are HSBC Asia Holdings B.V., Canada Square Nominees (U.K.) Ltd., Canada Water Nominees (U.K.) Ltd., and Canada Crescent Nominees (U.K.) Ltd., which are holding companies that are part of the HSBC Group and are 100% owned by one or more of HSBC Group companies.

** The Company's Board of Directors will appoint a new Member after obtaining approval from the concerned authorities and after finalising the related procedures, provided that such appointment is put forward before the first meeting of the Ordinary General Assembly for endorsement.

Note: No Director owns 5% or more of SABB Takaful shares as per Article 38(1) of the Implementing Regulations of the Law of Supervision of Cooperative Insurance Companies.

Note: The number of shares include 1,000 Qualification Shares as per Article 68 of the Company Law.

12.5 Key Licenses and Permits

The Company has secured certain licenses and permits from the competent authorities to enable it to carry out its operations in Saudi Arabia. Such licenses authorise the Company to engage in its operations and to manage its business in Saudi Arabia. The following is the list of the licenses and other governmental and non-governmental permits issued to the Company:

No	License / Type	Purpose	License No.	Date	Issuing Entity
1	Commercial Registration Certificate	Incorporation and registration	1010234032	20/05/1428H (corresponding to 06/06/2007G)	Ministry of Commerce and Industry
2	Insurance License	Authorisation to engage in insurance activities	TMN/5/20079	29/08/1428H (corresponding to 11/09/2007G)	SAMA
3	Chamber of Commerce and Industry Certificate	Chamber Membership	183131	29/12/1428G (corresponding to 08/01/2008G)	Riyadh Chamber of Commerce and Industry
4	General Organisation for Social Insurance Certificate	Compliance to Saudi Regulations	7713762	19/11/1429H (corresponding to 17/11/2008G)	General Organisation for Social Insurance

Source: SABB Takaful

12.6 Summary of Material Contracts and Agreements

12.6.1 Joint Venture Agreement

The founding shareholders of the Company ("Founding Shareholders") entered into a Joint Venture Agreement dated 01/06/2006G, setting out the relationship between them in relation with SABB Takaful Company.

Sale or Transfer of Shares

The Founding Shareholders are permitted to transfer their shares:

- to an affiliate without the need for any consent, unless otherwise required by the CMA;
- to a non-affiliate third party if:
  - it is not possible to exercise their respective put options under applicable regulations or by decision of the competent authorities; or
  - with the other founding shareholder's approval.

In the case of a transfer to a non-affiliate, the Founding Shareholders have pre-emptive rights to purchase the shares to be sold.

If pre-emptive rights are not exercised, the Founding Shareholders have the right (but are not obliged) to require the third party to purchase their shares in the Company.

The consideration payable for any shares to be transferred from one founding shareholder to the other must not exceed that proportion of USD1.0 billion which is equal to the percentage which the shares being transferred represents of the total issued share capital of the Company. This "cap" has been included because of certain regulatory provisions relating to joint ventures, which affect HSBC Holdings Plc and its subsidiaries as a listed issuer. However, the parties may mutually agree to revise the cap up or down, provided that such revision is in compliance with the London and Hong Kong listing rules and any other applicable laws.

Put options

If SABB and HSBC are unable to agree on how to vote on a certain matter prior to a general assembly or the percentage of shares held by either HSBC or SABB falls below 30% of the share capital, then each has an option to sell their shares to the other party.

The option share price shall be the average daily closing price of the shares over the 10 days preceding the put option notice.

Shareholders meetings

If the Founding Shareholders are unable to agree on how to vote within 60 business days of the shareholders meeting where the dispute was originally considered, they may exercise the put option under the Joint Venture Agreement.

Competition

Each of SABB and HSBC Group undertakes that as long as it, or its affiliates owns at least 30% of the shares in the Company, that it shall not:

- engage in insurance activities in Saudi Arabia other than through the Company;
- directly or indirectly make a material investment (at least 10% of voting interest) in another insurance Company in Saudi Arabia;
- solicit an employee of the Company; or
- issue competing products.

Validity and termination

The Joint Venture Agreement will terminate on the occurrence of certain events, including the following:

- the parties unanimously agree to terminate the joint venture agreement;
- either HSBC Group or SABB transfers its shares to a non-affiliate; or
- the Company is dissolved and liquidated.

Default

If any party becomes insolvent or defaults under the Joint Venture Agreement and fails to remedy the default within 60 days, the non-defaulting party may purchase all or any portion of shares in the Company held by the defaulting party at 80% of the average daily closing price of the shares as traded on the Saudi Stock Exchange during the last 10 trading days prior to the default notice or require the defaulting party to purchase all or any portion of the non-defaulting party's shares at the average daily closing price at which shares of the Company are being traded on the Saudi Stock Exchange.

12.6.2 Takaful Agency and Sales Agreement

The Company entered into an Agency and Sales Agreement with SABB Insurance Agency Company Limited (Agent) and SABB on 06/05/2008G.

Appointment

The Company appointed SABB Insurance Agency Company Limited as its non-exclusive agent within Saudi Arabia for its insurance products. The Saudi British Bank was appointed as the non-exclusive independent sales contractor of SABB Insurance Agency Company Limited. The products covered under the agreement comprise Family and General Takaful products.

Key Terms

Neither the Agent nor SABB can accept appointment as agent or sales contractor, respectively, of any other company or person in Saudi Arabia for the introduction of insurance products of any type, without the prior approval of the Company.

The Agent has undertaken not to represent any other insurance company without the prior approval of SABB. Neither agent nor SABB can sell insurance without prior approval of the Company.

Duties of Agent

The Agent shall promote the SABB Takaful business and act only in accordance with the underwriting guidelines set out in the agreement. It shall notify SABB Takaful of all claims or other issues.

Duties of SABB

SABB has undertaken to promote products and ensure that they meet SAMA requirements. It must also act in accordance with guidelines issued by the Company and give notice of any claims or issues, and indemnify the Agent.

Duties of SABB Takaful

The Company must ensure that products are in compliance with SAMA requirements. It reserves the right to promote the sale of insurance products in KSA by such necessary means, and to vary insurance products that Agent is permitted to distribute.

12.6.3 Investment Agreement

SABB Takaful entered into an Investment Agreement on 20/06/2008G with HSBC Saudi Arabia Limited (Investment Manager), a limited liability company licensed in Saudi Arabia as an Authorised Person under the Authorised Person Regulations issued by the CMA under License Number 05008-37.

As per the agreement, SABB Takaful opened an account with HSBC Saudi Arabia Limited and appointed the company as its investment manager. HSBC Saudi Arabia Limited has sole authority to invest and re-invest the assets in the account following the investment strategy and guidelines provided by SABB Takaful Company.

Duties of the Investment Manager

HSBC Saudi Arabia Limited's duties as investment manager consist of the following: investing in accordance with the scheduled guidelines, segregating SABB Takaful's assets from its own assets or that of other clients, complying with the asset allocation strategies, providing accounting and reporting information to SABB Takaful as needed, securing the best execution of account transactions, and safekeeping.

As the investment manager, HSBC Saudi Arabia Limited is not permitted to sub-contract any of its duties without the Company's prior written consent.

Termination

The agreement may be terminated:

- at any time by SABB Takaful or by HSBC Saudi Arabia Limited on not less than sixty (60) days prior written notice;
- immediately upon material default by the other party where such default has not been remedied within thirty (30) days by the non-defaulting party; or
- immediately by SABB Takaful if HSBC Saudi Arabia Limited ceases to hold the valid licenses, permits, or approvals required to perform the agreement.

12.6.4 Technical Assistance and Services Agreement

The Company receives technical assistance and services from SABB and HSBC Insurance Holdings Limited in accordance to a Technical Assistance and Services Agreement dated 01/06/2006G as amended on 07/04/2008G, pursuant to which the Company will receive technical assistance and services covering the following areas:

- Internal audit and compliance
- Risk management
- Back office processing, financial control and general administration
- Agent monitoring and supervision
- Sales and marketing practices, product development and pricing
- Human resource development and management
- Group support for the development of the employees
- Information Technology and business recovery
- Support software solution
- Takaful practices and procedures
- Property and maintenance guidance and services – provision of office space at commercial rates
- Professional advice and guidance on best practice standards on compliance and corporate governance
- Review and provision of professional advice on retakaful treaties
- Provision of guidance and advice on the Company's purchasing contracts and agreements
- Operational advice and support
- Human resource administration
- Financial accounting
- General administrative services
- Strategic planning

These services are updated on an annual basis in accordance with the needs of the Company.

Form of Technical Assistance

Technical assistance may take the following forms:

- Secondment of executives to the Company
- Secondment of Company executives to SABB or HSBC or their affiliates
- Training sessions
- Direction and advice through the design, development or delivery of products, processes, procedures and plans

Term of Technical Assistance

SABB and HSBC shall provide technical assistance to the Company for a term of five (5) years from the date of the agreement after which the term automatically renews for a further one (1) year term.

SABB and HSBC may terminate their obligations under the agreement:

- by providing written notice six (6) months prior to the end of the five (5) year term;
- in the event that either of their shareholdings in the Company falls to less than 30% of the then issued share capital of the Company or if either of them exercises the put option, the Technical Assistance and Services Agreement will terminate six (6) months following delivery of notice of termination; and
- upon six (6) months notice of the occurrence of an Event of Default.

Intellectual Property

SABB, HSBC and the Company shall be joint owners of any intellectual property developed by the Company while the agreement is in effect.

Competition

SABB and HSBC agree not to compete in the Kingdom of Saudi Arabia nor make any material (10%) investment in any competing business other than the Company.

12.6.5 Software and Maintenance Agreement

SABB Takaful Company benefits from a Software Licensing and Maintenance Agreement between SABB and Pentasoft Malaysia SDN BHD as Licensor dated 16/03/2005G, in relation to software consisting of fully integrated modules. According to this Agreement, the Licensor will supply such software and services to SABB. Furthermore, SABB possesses the Maintenance and Support Contract with the same vendor to provide ongoing support services to the business as from the end of the warranty period, 26/06/2007G.

Scope of the License

The software can be used by SABB for its own operations, by SABB contractors and by SABB's joint ventures or co-operatives, divestments or newly acquired entities.

Charges

The Licensor may increase the charges once per year.

Licensor Withdrawn Software

In the event that any software is to be withdrawn from general availability, Pentasoft must give 12 months written notice to SABB. In this event, the Licensees may give notice of their intent to cease using the software and are entitled to a refund of all pre-paid maintenance fees.

Licensor Liability

The liability of the Licensor (or any affiliate) in negligence, breach of contract, breach of statutory duty, breach of warranty, shall not exceed 200% of the total charges paid or payable under the agreement.

Maintenance

The Licensor will provide maintenance and support services to the Licensees according to a Service Level Agreement which shall commence as from the date of warranty (26/06/2007G). The standard maintenance fee for all software acquired is 16% of the initial license fee.

12.6.6 Actuarial Agreement

Watson Wyatt Insurance Consulting Pte (Ltd.) (Watson Wyatt) was appointed on 09/04/2007G and continue under an agreement effective until 30/06/2009G, subject to a one-month notice of termination which may be provided by either party, to undertake the responsibilities of SABB Takaful's Appointed Actuary as per Article 20 of the Saudi Insurance Regulations.

12.6.7 Reinsurance Agreements

SABB Takaful has entered into proportional and non-proportional reinsurance treaty agreements with reinsurers (led by Swiss Reinsurance Company) according to the HSBC Group reinsurance securities list. SABB Takaful has also entered into reinsurance treaty agreements with HSBC Reinsurance Limited (Ireland), 100% beneficially owned by HSBC Group.

The treaties are in accordance with normal prudent business practices and in full force and effect. The treaties differ depending on whether the coverage relates to Family Takaful or General Takaful. The Family Takaful treaties generally do not provide for a term, and are subject to a prior cancellation notice by either party. They also generally provide for regional territorial scope. In contrast, the General Takaful treaties have duration of one (1) year and are subject to annual renewal. In addition, the Company places a portion of risks on a facultative basis with reinsurance companies.

12.6.8 Financing Agreements

- The Company entered into a banking facilities agreement dated 21/06/2008G with Saudi Hollandi Bank. According to this agreement, the Company was granted a SAR 25,000,000 financing facility available for the issuance of payment guarantee in favour of the Council for Co-operative Health Insurance and valid until 31/12/2011G, as well as a SAR 25,000,000 financing facility available by way of Short Term Islamic Financing (Al Yusr Tawarruq) available for a maximum period of one (1) year.

  These facilities are conditioned by the execution of a promissory note in the amount of SAR 50,000,000 payable on demand. To date, the facilities are still available and no amount has been used by the Company.

- The Company entered into a Master Murabaha Financing Agreement dated 23/06/2008G with Saudi Hollandi Bank pursuant to which SABB Takaful will request Saudi Hollandi Bank – Islamic Finance Division to purchase and resell to the Company, on a deferred payment basis, any goods, products or commodities permissible by Shariah and agreed between the Bank and the Company. This agreement is governed in accordance with the laws of the Kingdom of Saudi Arabia.

Except for what has been mentioned above:

- There are no debt instruments of the Company that are issued, outstanding or authorised but unissued, and there are no term loans that are guaranteed, unguaranteed, secured or unsecured as of the date of this Prospectus.
- There is no other borrowing or indebtedness of the Company including bank overdrafts, liabilities under acceptances, acceptance credits or hire purchase commitments, that are guaranteed, unguaranteed, secured or unsecured as of the date of this Prospectus.
- There are no mortgages, rights or charges on the Company's properties as of the date of this Prospectus.
- There are no contingent liabilities or guarantees of the Company as of the date of this Prospectus.

12.6.9 Agreements with Shariah Advisory Committee

SABB Takaful has issued appointment letters dated 22/02/1428H (corresponding to 12/03/2007G) in respect of the appointment of an independent Shariah Advisory Committee.

Composition of the Committee

The Shariah Advisory Committee is comprised of the following Members:

- Abdullah Bin Suleiman Al Manea
- Abdullah Bin Mohamed Al Mutlaq
- Mohamed Elgari Bin Eid

Scope of work of the Committee

The Shariah Advisory Committee will mainly perform the following actions:

- Advise on matters referred to this Committee by SABB Takaful
- Attend the meetings of SABB Takaful at least four (4) times per year
- Attend any other meeting and provide opinions on any other Shariah related matter as requested from time to time by SABB Takaful

Duration of the Committee's mandate

The agreed duration for the Committee's mandate is three (3) Hijri years renewable unless one of the parties informs the other by writing of the non-renewal of this agreement. Moreover, each party may terminate the agreement during the mandate period, provided that he informs the other party with a six (6) months advanced notice.

Compensation and Expenses

The yearly compensation for each member is SAR 80,000, payable quarterly. SAR 6,000 in compensation is also payable to each member for each meeting attendance. In addition, SABB Takaful will bear all special arrangements for the members' stay in five-star hotels, first or business class flights, and all other reasonable expenses.

12.6.10 Other Agreements

- **Group Creditor Takaful Plan**

  SABB Takaful has issued a Group Creditor Takaful Plan for SABB with a coverage amount of up to SAR 12 billion annually. The term of this plan is one (1) year commencing from 01/10/2008G until 30/09/2009G. The plan provides eligible members with coverage benefits, principally comprising financial protection during the term of the policy.

- **Distribution Agreement with SAMA Airlines**

  SABB Takaful and SAMA Airlines entered into a distribution agreement on 01/10/2008G. The agreement was made for the purposes of distributing takaful products and services to the clients of SAMA. It involves the cooperation of both parties in communication, sales, and referrals of said products to the targeted group of potential clients.

12.7 Trademark, Patents and Other Intellectual Properties

The Company and HSBC Holdings Plc. (HSBC) entered into a licensing agreement on 20/09/2007G in relation to the use of the HSBC Trademark hexagon logo set forth below:

SABB Takaful ساب تكافل

Member HSBC Group

The license is granted on a royalty-free, non-exclusive basis.

Key Terms

As per the terms of the agreement, SABB Takaful acknowledges HSBC's sole and beneficial entitlement to ownership of the said Trademark. HSBC is allowed to maintain a quality control standard over their Trademark by reviewing areas where it is used by SABB Takaful. In return, SABB Takaful agrees to comply with the requests relating to quality control. In addition, SABB Takaful ensures that all of its activities in regards to the use of said Trademark are in compliance with all applicable laws and regulations.

HSBC gives no warranty as to the validity of the Trademarks. SABB Takaful is indemnified by HSBC from any liability incurred by SABB Takaful, arising out of any claim or relating to the use of the Trademark. In return, HSBC is indemnified by SABB Takaful from any liability incurred or suffered by HSBC, which arise out of the use of the Trademarks by SABB Takaful.

The procedures for the registration of the trademark are ongoing, and it is expected that the registration process will be complete by the second quarter of year 2009G.

12.8 Related Party Transactions

SABB Takaful has entered into a number of arrangements with, or involving one or more of its Founding Shareholders. These arrangements are listed below:

- Joint Venture Agreement (refer to section 12.6.1 above)
- Takaful Agency and Sales Agreement (refer to section 12.6.2 above)
- Investment Agreement (refer to section 12.6.3 above)
- Technical Assistance and Services Agreement (refer to section 12.6.4 above)
- Reinsurance Agreements (refer to section 12.6.7 above)
- Group Creditors Takaful Plan (refer to section 12.6.10 above)
- Licensing Agreement (refer to section 12.7 above)

12.9 Claims and Litigations

The Directors and the Management of the Company, as at the date of this Prospectus, confirm that the Company is not involved in any litigation, arbitration or administrative proceedings that would, individually or in aggregate, have a material adverse effect on its business or financial position, and that as far as the Directors and Management of the Company are aware, no such litigation, arbitration or administrative proceedings are threatened or pending.

12.10 Real Estate Matters

- **Lease Contract for the Company's Headquarters**

SABB Takaful, as lessee, and SABB, as lessor, entered into a lease agreement on 03/01/1430H (corresponding to 31/12/2008G) pursuant to which SABB Takaful leases the premises located in the head office building of SABB in Riyadh. The leased property, which serves as the head office of SABB Takaful, is estimated at 962 m^2 and comprises a portion of the ground floor of the new main office building and a portion of the third floor of the old main office building.

Key Terms

The annual rental value is SAR 1,000 per square meter and the current annual total value of the rented property, including water & electricity consumption, is SAR 962,000, payable in advance by SABB Takaful at the signing of the agreement. An additional amount of SAR 48,000 is payable annually by SABB Takaful against use of the conference room located in the ground floor.

The agreement is valid until 31/12/2009G, and renewable on such terms as may be agreed by both parties.

The agreement is governed in accordance with the laws of the Kingdom of Saudi Arabia and any dispute regarding this contract or one of its articles will be subject to the regulations prevailing in Saudi Arabia.

Termination

The agreement may be terminated before expiration by either party, provided that written notice is given to the other party ninety (90) days prior to termination.

SABB may terminate this agreement immediately if:

- SABB Takaful ceases or delays to pay the rent or any part of it; or
- SABB Takaful claims or declares bankruptcy or insolvency whether obligatory or voluntarily or upon liquidation.

12.11 Board Declarations

12.11.1 Financial Information

- The Directors of the Company declare that the financial information presented in the Prospectus is extracted from SABB Takaful's Audited Financial Statements without any material change. These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
- Except for the accumulated losses disclosed in the "Shareholders' Equity" section on page "55" of this Prospectus, the Directors of the Company declare that there has been no material adverse change in the financial or trading position of the Company for the financial period from 15 May 2007G to 31 December 2008G and up to the date of this Prospectus.

12.11.2 Bankruptcies, direct and indirect interests

- The Company's Board of Directors declares that there have been no bankruptcies of any of the Board Directors, the Senior Management persons, the Senior Executives or the Secretary of the Company.
- Except for the interests of the Board of Directors and the Senior Management disclosed on pages "26" and "36" of this Prospectus, respectively, the Company's Board of Directors declares that there are no the direct or indirect interests of each Director of the Company and its Senior Executives and its Secretary in the shares of the Company.

12.11.3 Commissions, discounts, brokerages or other non-cash compensations

- The Company's Board of Directors declares that no commissions, discounts, brokerages or other non-cash compensations were granted within the two years immediately preceding the application for listing in connection with the issue or sale of any securities by SABB Takaful or any member of its group, to any Directors, proposed Directors, Senior Executives, promoters or experts.

12.11.4 Material change and business interruption

- The Company's Board of Directors declares that there has been no interruption in the business of the Company and the Group, which may have or have had a significant effect on the financial position in the last 12 months prior to the date of the Prospectus.
- The Company's Board of Directors declares that no material change in the nature of the Company's business as described in this Prospectus is contemplated.

12.11.5 Working Capital

- The Company has reviewed the likely cash flow requirements of the business and is of the opinion that the Company will have sufficient working capital for the 12 months immediately following the date of the publication of the Prospectus.

12.11.6 Activities outside the Kingdom

- The Company's Board of Directors declares that SABB Takaful does not have any assets or trading/commercial activities outside the Kingdom of Saudi Arabia.

12.11.7 Debt Instruments and Mortgages

- Except for what has been mentioned in the "Capitalisation and Indebtedness" section on page "63" of the Prospectus, the Board of Directors declare that:
  - There are no debt instruments of the Company that are issued, outstanding or authorised but unissued, and there are no term loans that are guaranteed, unguaranteed, secured or unsecured as of the date of this Prospectus.
  - There is no other borrowing or indebtedness of the Company including bank overdrafts, liabilities under acceptances, acceptance credits or hire purchase commitments, that are guaranteed, unguaranteed, secured or unsecured as of the date of this Prospectus.
  - There are no mortgages, rights or charges on the Company's properties as of the date of this Prospectus.
  - There are no contingent liabilities or guarantees of the Company as of the date of this Prospectus.

12.11.8 Other Declarations

- As per the Issuer's By-Laws and other constitutional documents, the Company's Board of Directors declares that there is not any:
  - Power enabling a Director or the Managing Director to vote on a contract or proposal in which he has a material interest.
  - Power enabling a Director or the Managing Director to vote remuneration to themselves.
  - Power allowing any of the Directors or the Senior Executives to borrow from the Company.
- The Board of Directors declare that the Company is in full Compliance with Article 69 and Article 70 of the Regulations of Companies – Companies Act.
- The Board of Directors declare that the Company is in full Compliance with Article 18 of the Corporate Governance Regulations.

13. Underwriting

13.1 Underwriter

Name of Underwriter:	**Saudi Hollandi Capital**
	السعودي الهولندي المالية Saudi Hollandi Capital
Address:	Ma'ther St., Riyadh P.O.Box 1467, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966-1-2767808 Fax: +966-1-2767836 Website: www.shc.com.sa
Number of Rights Issue Shares:	24,000,000 Shares
Rights Issue Price:	12.5 Per Share

13.2 Summary of Underwriting Arrangements

Pursuant to the terms and conditions of the Underwriting Agreement to be executed between the Company and the Underwriter:

a) The Company covenants to the Underwriter that, on the allocation date, the Company will issue and allocate to the Underwriter the Rights Issue Shares underwritten in this Offering not otherwise subscribed for by the Eligible Shareholders and not otherwise subscribed for by the Eligible Shareholders as additional shares, at the Offering Price.

b) The Underwriter covenants to the Company that, on the allocation date, the Underwriter shall itself buy all the Rights Issue Shares in this Offering not otherwise subscribed for by the Eligible Shareholders and not otherwise subscribed for by the Eligible Shareholders as additional shares, at the Offering Price.

Charges & Expenses

The Company shall pay the Underwriter such charges as may be specified based on the total value of Proceeds from the Offering, which shall be paid to the Underwriter as per the Underwriting Commitment agreed upon. The Company shall also pay the Underwriter all 'reasonable' fees and expenses in relation to the Offering.

14. Summary of By-Laws

The By-Laws of the Company contain provisions inter alia to the effect set out below. This summary should not be relied upon in place of the full By-Laws, which can be inspected at the registered office of the Company:

Formation of the Company:

The Company was established in accordance with the Cooperative Insurance Companies Control Act and its Implementing Regulations, the Companies Regulations and these By-Laws, as a Saudi joint stock Company by and between the shareholders and pursuant to the provisions set forth herein under.

Company's Name:

The name of the Company is SABB TAKAFUL COMPANY, a Saudi Joint Stock Company hereinafter referred to as the "Company". The Company's name shall be changed to delete the word "SABB" if the Saudi British Bank ceases to be a shareholder.

Objectives of the Company:

The objects of the Company are to transact cooperative insurance operations and related activities, such as reinsurance, agencies, representation, correspondence in accordance with the provisions of the Cooperative Insurance Companies Control Act and its Implementing Regulations as well as other applicable laws and regulations in the Kingdom of Saudi Arabia. The Company may, at its discretion, undertake all activities as may be required to achieve its objectives, whether in respect of insurance or the investment of its funds. The Company may also acquire and transfer fixed and moveable assets and have such assets sold, replaced or leased either directly by the Company or indirectly through companies to be established or purchased by it or in participation with other parties.

The Company may own, have an interest in or participate, merge with or acquire in any manner, other associations which perform activities similar to those it undertakes or which may help it to realise its objectives. The Company may carry out all the activities stated under this Article within or outside the Kingdom of Saudi Arabia.

Head Office:

The Company's head office shall be in the city of Riyadh. The head office may, with the approval of the Saudi Arabian Monetary Agency, be transferred to any other city in the Kingdom of Saudi Arabia by resolution of the Extraordinary General Assembly. The Company may establish branches, offices or agencies for the Company within or outside the Kingdom of Saudi Arabia after obtaining the approval of the Saudi Arabian Monetary Agency.

Duration:

The duration of the Company shall be ninety-nine (99) Gregorian years commencing on the date of the resolution issued by the Ministry of Commerce and Industry announcing the incorporation of the Company. The duration of the Company may be extended by resolution of the Extraordinary General Assembly taken, at least one year prior to the expiration of the this term.

Principles to be followed by the Company in its operations and the attainment of its objectives.

Use of Funds:

The Company shall invest the funds collected from the Policyholders and the Shareholders in accordance with the rules set by the Board of Directors.

Capital of the Company:

The share capital of the Company is one hundred million Saudi Riyals (SAR100,000,000) divided into ten million (10,000,000) registered shares of equal value of ten Saudi Riyals (SAR10) each.

Subscription of the Capital:

The Founders have subscribed for six million five hundred thousand (6,500,000) of the Company's shares in the amount of sixty five million Saudi Riyals (SAR65,000,000) representing sixty five percent (65%) of the ordinary shares of the Company, and have paid the entire value thereof. The remaining shares, three million five hundred thousand (3,500,000) shares in the amount of thirty five million Saudi Riyals (SAR35,000,000), were offered for public subscription within thirty days following the issuance of the Royal Decree authorising the incorporation of the Company. Immediately following the offering, the Company's shares became complete and amounted to ten million (10,000,000). The Founders have subscribed as follows:

Name of Founder	Number of Shares	Par Value (SAR)	Value of Shares (SAR)	Percentage Held
THE SAUDI BRITISH BANK	3,250,000	10	32,500,000	32.5%
HSBC ASIA HOLDINGS B.V.	3,100,000	10	31,000,000	31.0%
CANADA SQUARE NOMINEES (U.K.) LIMITED	50,000	10	500,000	0.5%
CANADA WATER NOMINEES (U.K.) LIMITED	50,000	10	500,000	0.5%
CANADA CRESCENT NOMINEES (U.K.) LIMITED	50,000	10	500,000	0.5%
TOTAL	**6,500,000**	**10**	**65,000,000**	**65.0%**

Decrease of Capital:

The General Assembly may, in an Extraordinary Meeting and after obtaining the approval of the competent authorities, adopt a resolution to reduce the Company's capital if it proves to be in excess of the Company's needs or if the Company sustains losses. Such resolution shall be issued only after reading the auditors' report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company supporting documents of such debt within the time limit set above, then the Company shall settle such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

Transfer of Shares:

The shares shall be transferable in accordance with the rules, regulations and directives issued by the Capital Market Authority. As an exception to the foregoing, the cash shares subscribed to by the Founders shall not be transferable before publishing the balance sheet and the profit and loss statement for two full fiscal years, each consisting of 12 months from the date of incorporation of the Company. These provisions shall apply to any shares subscribed to by the Founders in case of increasing the Company's capital before the lapse of the prohibition period. However, the title to the cash shares may still be transferred during the prohibition period in accordance with the legal provisions for the sale of rights from one Founder to another or to a member of the Board of Directors who will submit them as a qualification shares, or from the heirs of a deceased Founder to a third party.

Seizure of Shares:

Each member of the Board of Directors shall submit no less than five thousand (5,000) qualification shares against the contracts entered into between such Board member and the Company as approved by the Ordinary General Assembly. The withholding shall include any dividends which accrue to the withheld shares.

Sale of Seized Shares:

Subject to the approval of the competent authorities, the Board of Directors shall have the right to sell the seized shares submitted by the Board members against the contracts entered into between such Board member and the Company upon the maturity of debt after forwarding a second notice by registered mail to the Board member who owns the subject shares, requesting the payment of the debt within a deadline of two weeks. If the Board member refuses to do so, the Board of Directors shall sell these shares by virtue of the system of share transfers and apply the proceeds to all the debts and other obligations of the Board member owed to the Company. The remaining balance, if any, shall be given to the shareholder, his guardian, and the executor of his will or his heirs.

Constitution of the Board of Directors:

The Company shall be managed by a Board of Directors composed of (11) members to be appointed for a term not exceeding 3 years. This appointment however shall not in any way contravene with the right of the corporate person to replace his representatives on the Board. As an exception, the Constituents have appointed the first Board of Directors for a term of 3 years commencing as of the date of the ministerial decision declaring the Company's incorporation.

So long as the constituent shareholders listed in the Articles of Association hold their shareholding percentage in the Company, the Saudi British Bank shall have the right to appoint 3 members on the Board, and HSBC Asia Holdings B.V. shall also have the right to appoint 3 members on the Board. Another member may be appointed jointly between the two shareholders. Either one of the shareholders shall be entitled to replace all or any of their representatives. Such appointment or replacement may be made by a decision issued by The Saudi British Bank or HSBC Asia Holdings B.V. and communicated by a letter addressed to the Company's Board of Directors. However, all members may be reappointed.

Management and Technical Services Agreement:

Upon SAMA's approval, the Company enters into an agreement for the provision of technical services with one or more companies qualified in the field of insurance for a period of five (5) years renewable for a further period or periods as determined by the Board of Directors of the Company.

Vacancies:

Membership of the Board of Directors shall terminate upon the expiration of the period of appointment; or upon his resignation or death; or if it is established to the Board of Directors that the board member has violated his duties in a way that harms the interest the Company, provided that this shall be effected with the approval of the Ordinary General Assembly; or upon the cessation of his membership in accordance with any law or directives in force in the Kingdom of Saudi Arabia; or if he is absent from more than three (3) consecutive meetings without a reason acceptable to the Board of Directors; or if he is adjudged bankrupt or insolvent or makes any arrangement

with his creditors or he ceases to pay his debts; or if he is found to be of unsound mind or sustains a mental decease; or if it is established that he has committed an offence involving dishonesty, fraud or moral turpitude. If the office of a Board member appointed by The Saudi British Bank or the Other Founders becomes vacant, then the party responsible for the appointment of the member of such vacant office shall immediately appoint a new member. If the position of any other member of the Board of Directors becomes vacant, the Board may appoint a member in the vacant position, provided that such appointment is put forward before the first meeting of the Ordinary General Assembly for endorsement. The term of office of the new member designated to fill a vacancy shall only extend to the term of office of his predecessor. In case the number of the members of the Board of Directors falls below the quorum required for the proper convening of the Board meetings, the General Assembly shall be called for an Ordinary Meeting as soon as possible in order to appoint the necessary number of Board members.

Powers of the Board of Directors:

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with the broadest powers to manage the business of the Company and supervise its affairs within and outside the Kingdom of Saudi Arabia.

The Board of Directors is empowered, for example and without limitation, to represent the Company in its relationship with others and before all governmental and private bodies, all Shariah Courts, the Board of Grievances, Labour Offices, Primary and Supreme Committees of Settlement of Labour Disputes, the Committee for the Enforcement of Negotiable Instruments, and all other judicial bodies, Boards of Arbitration, Police Departments, the Directorate of Civil Rights, Chambers of Commerce and Industry, all companies and establishments, commercial banks and exchanges, government funds and other lenders; to plead, raise, defend, ask for, accept and settle claims, enforce and defend against judgments, receive proceeds, discharge debtors from obligations, participate in tenders, sell and pledge properties, to sign on behalf of the Company all documents including articles of association of companies in which the Company shall participate, and to amend the same, to sign winding-up resolutions, as well as any other contracts, deeds, and declarations before public notaries or other official bodies, to sign loan agreements, guarantees, mortgages, leases and deeds for the sale and purchase of land and buildings and all other contracts and agreements, and to delegate some or all of these powers, under powers of attorney or any other written authorisations; to open, operate and close bank accounts, to receive and issue checks and to sign receipts, discharges, acknowledgments, bills of exchange, promissory notes and all banking transactions.

The Board of Directors is empowered to contract loans with government funds and credit institutions and loans with commercial banks and financial institutions for any term including terms exceeding three years, to buy, sell, and mortgage real estate, to release the Company's debtors from their obligations, and to compromise and accept arbitration.

The Board of Directors may provide financial support to any of the companies in which the Company participates or any of the Company's affiliates and may guarantee the credit facilities obtained by any of the companies in which the Company participates or any of the Company's affiliates provided that the other shareholders in these companies provide such financial support each in proportion to its ownership in that Company.

The Board of Directors may authorise and delegate one or more of its members or a third party to undertake a specific function or functions, and revoke such delegations in whole or in part.

Remuneration of Board of Directors:

The Chairman of the Board of Directors shall receive a remuneration for his services in the amount of one hundred and eighty thousand Saudi Riyals (SAR180,000) annually. Members of the Board of Directors shall each receive a remuneration for their services in the amount of one hundred and twenty thousand Saudi Riyals (SAR120,000).

In addition, the Chairman and members of the Board of Directors shall each receive an amount of three thousand Saudi Riyals (SAR3,000) for attending each Board meeting and one thousand five hundred Saudi Riyals) (SAR1,500) for attending each Executive Committee meeting.

The Company shall also pay to the Chairman and members of the Board the actual expenses associated with their attendance of the Board or Executive Committee meetings, including travel, residence and accommodation expenses. However, under all circumstances, the total payments made to the Chairman and Board members shall not exceed 5% of the Company's net profits. The Company shall ensure that all written details of the proposed remunerations and considerations will be presented to shareholders prior to the General Assembly meetings at which such remunerations and considerations shall be put to voting. The General Assembly shall approve conditions of granting such remunerations and considerations, provided that the concerned Board members or any senior executive officer shall not have the right to vote on such resolutions.

Remuneration of the members of the Board of Directors may be amended with the approval of the Extraordinary General Assembly.

The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all remuneration made to the members of the Board, attendance allowance and other expenses paid to the members of the Board of Directors within the fiscal year. The said report shall also include a statement of remuneration received by Board members in their capacities as members of the Executive Committee, or as delegated members of the Company's management or in consideration for rendering technical, managerial or consultancy services.

Chairman and Managing Director:

The Board of Directors shall appoint a Chairman and Managing Director from amongst its members.

The Chairman and the Managing Director shall be authorised to individually or jointly represent the Company in its relationship with others and before judicial bodies, Government departments, Notaries Public, courts of law, Commissions for settlements of disputes, Boards of Arbitration, Directorate of Civil Rights, Police Departments, Chambers of Commerce and Industry, all companies and establishments; to issue powers of attorney and to appoint and remove agents and attorneys; to raise, defend, plead, settle, acknowledge and arbitrate; to accept and reject judgments on behalf of the Company; to sign and execute all agreements, certificates and instruments including articles of association of companies in which the Company shall participate, and to amend the same, and to sign winding-up resolutions, as well as any other contracts, deeds, and declarations, before public notaries or other official bodies, loan agreements with government financial funds and institutions and commercial banks and financial institutions, guarantees, mortgages, leases, and terminating them; to collect entitlements and settle obligations on behalf of the Company; to buy, sell, make and accept transfers, receive, deliver, rent, lease, collect and make payments, and to participate in tenders; to open bank and credit accounts and to withdraw and deposit from the same; to issue instruments, checks and all negotiable instruments; to hire, contract with and appoint employees and workmen and to specify their salaries and remunerations and remove them, to request visas for employees and workmen from abroad, grant residency permits and work visas, and transfer and terminate their sponsorship; to authorise or delegate some or all of these powers to any other person or persons to do or cause to be done any act mentioned hereinabove, and to revoke such authorisation or delegation in whole or in part.

The Managing Director shall have such other powers as are specified by the Board of Directors, and shall carry out such directives as are given to him by the Board of Directors and shall transact the day-to-day affairs of the Company.

The Board of Directors shall determine the salaries, allowances and remuneration of the Chairman of the Board and the Managing Director in accordance with Article (17) of these By-Laws.

Audit Committee:

The Board of Directors shall form an audit committee consisting of at least three (3) but not exceeding five (5) non-executive members the majority of whom shall not be members of the Board of Directors, in accordance with the decisions made by the Saudi Arabian Monetary Agency, the Ministry of Commerce and Industry and the Capital Market Authority in this regard.

Executive Committee:

1) The Board of Directors shall form an Executive Committee consisting of at least three (3) members and not exceeding five (5) members. Members of the Executive Committee shall elect one of the members as Chairman of the Executive Committee who shall preside over its meetings. In the absence of the Chairman, the Committee shall elect a temporary replacement from the attending Committee members. A member of the Executive Committee may appoint another Committee member to act on his behalf, in which case the latter shall have the right of vote for three Committee sessions only. The term of membership in the Executive Committee shall be the same term of the Board of Directors. The Board of Directors shall fill any vacancy in the membership of the Executive Committee.
2) Without prejudice to any directives by the Saudi Arabian Monetary Agency or the Company's Board of Directors, the Executive Committee shall exercise all the powers that are authorised by the Saudi Arabian Monetary Agency or by the Board. The Executive Committee shall assist the Company's Managing Director or General Manager within the limits of its designated powers.
3) An Executive Committee meeting shall be valid only if attended by at least two (2) members, present in person or represented by proxy, so long as the number of members present in person shall not be less than two (2) members. Executive Board resolutions shall be adopted with a unanimous vote. However, in the event of lack of unanimous vote, resolutions shall be adopted with the approval of the majority vote of three quarters (3/4) of the present represented members. The Executive Committee shall hold meetings from time to time when deemed necessary by its Chairman, provided, however, that the Committee shall hold a minimum of six such meetings annually. A meeting of the Executive Committee may be held at any time upon the request of at least two (2) members and a decision shall be issued when approved in writing by two (2) Committee members.

Board Meetings:

The Board shall meet at the head office of the Company upon a call by the Chairman, if so requested by any two (2) Board members. Such call shall be in the form chosen by the Board. The Board shall hold a minimum of four meetings annually during the fiscal year. It shall be impermissible for four months to pass without holding a Board meeting.

Quorum and Representation:

A Board meeting shall be valid only if attended by at least eight (8) members, present in person or represented by proxy, so long as the number of members present in person shall not be less than (6) members. With due regard to Article (15) of these By-Laws, a member of the Board of Directors may give a proxy to another member to attend the Board meetings on his behalf, however a member of the Board of Directors may not act on behalf of more than one Board member as to attending the same meeting. The proxy shall be made in writing. A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting under the law.

Board Resolutions:

The Board resolutions shall be adopted with the approval of the majority vote of three quarters (3/4) of the members present in person and represented by proxy. The Chairman's voting rights shall be equal to and not exceed those of any other individual member of the Board of Directors. The Board may adopt resolutions by circulation unless one Board member requests a meeting for deliberations on such a resolution. Such resolutions shall be laid before the Board in its first following meeting. Any member of the Board of Directors having a personal interest, whether direct or indirect, in any matter or proposal made to the Board or Executive Committee must declare the nature of such interest in the proposed matter to the Board of Directors or Executive Committee. Without excluding the interested Board member from the quorum count, the interested Board member shall not participate in the deliberation or voting on the Board or Executive Committee resolution with respect to the matter or proposal.

Minutes of Meetings:

Deliberations and resolutions of the Board shall be recorded in the form of minutes to be signed by the Chairman and the Secretary. The same minutes shall also be recorded in a register to be signed by the Chairman and the Secretary.

Insurance Contracts:

Members of the Board of Directors may not enter into insurance contracts with the Company wherein they have an interest except with the approval of the Saudi Arabian Monetary Agency.

Advisors:

The Board of Directors must appoint a Secretary of the Board. The Board of Directors may also appoint one or more advisors to provide advice in running the various affairs of the Company and the Board shall determine their remuneration.

Accountability:

The Chairman of the Board of Directors, the Managing Director and Board members, each within his own jurisdiction, shall be responsible for violations of the provisions of these By-Laws.

General Assembly:

The duly constituted General Assembly represents all Shareholders and shall be held in the city where the head office of the Company is located. Each subscriber, regardless of the number of shares held, shall have the right to attend the Constituent General Assembly, either in person or by proxy. Each shareholder holding twenty (20) or more shares shall have the right to attend the General Assembly, and each Shareholder may authorise another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/its behalf.

General Assembly Duties:

The Constituent General Assembly shall be competent to address the following matters:

1) Ascertain that the capital of the Company has been fully subscribed for.
2) Approve the final text of the Company's By-laws. However, the Assembly may not make any material changes to the By-laws without the consent of all subscribers represented thereat.
3) Appoint the members of the Company's first Board of Directors.
4) Appoint the Company's first auditors and determine their fees.
5) Deliberate on the Founders' report on the activities and expenses necessitated for the incorporation of the Company.

Extraordinary General Assembly Duties:

The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions that may not be amended under the law. The Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

Ordinary General Assembly Duties:

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

Quorum of Ordinary General Assembly:

A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least sixty-five percent (65%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (88) of the Companies Regulations. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

Quorum of Extraordinary General Assembly:

A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least sixty-five percent (65%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in the preceding Article. The second meeting shall be valid only if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

Voting Rights:

Votes at the meetings of Constituent, Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting.

Voting Majorities:

Resolutions of the Constituent General Assembly and Ordinary General Assembly shall be adopted by an absolute majority vote of the shares represented thereat. However, if a resolution relates to valuing in kind or preferential shares, a majority of the subscribers of cash shares is needed such that they represent at least two thirds (2/3) of the mentioned shares after discounting the shares subscribed to by those given in kind shares or those benefiting from preferential shares – such subscribers shall not have a vote in these resolutions, even if they also own cash shares. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefore under these By-laws or merging the Company with another Company or establishment, or otherwise amending these By-laws then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

Proceedings of the General Assembly:

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The Assembly shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting showing the names of the Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the canvasser.

Appointment of Auditors:

The General Assembly shall appoint two (2) auditors annually from among the auditors licensed to work in the Kingdom of Saudi Arabia. The auditors' compensation shall be fixed by the General Assembly. The General Assembly may further reappoint the same auditors.

Access to Records:

The auditors shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. They may further check the Company's assets and liabilities.

Auditors' Report:

The auditors shall submit to the annual General Assembly a report showing how far the Company has enabled them to obtain the information and clarifications they have requested and what they have discovered of violations of the Companies Regulations and these By-laws and their opinion as to whether the Company's accounts conform to the facts.

Financial Year:

The fiscal year of the Company shall commence as on the 1st of January each year and expire at the end of December of the same year. However, the Company's first fiscal year shall cover the period commencing as of the date of issuance of the Ministerial Resolution announcing the incorporation of the Company and expiring on the 31st of December of the following year.

Annual Accounts:

The Board of Directors shall prepare at the end of each fiscal year an inventory of the value of the Company's assets and liabilities as that date; the Company's financial statements and a report on the Company's activities and financial position for the preceding year. The report shall include the method proposed by the Board for the distribution of net profits for that financial year and shall be ready within a period not exceeding forty (40) days after the end of the annual financial period to which they relate. The Board of Directors shall place such documents at the disposal of the Auditors at least fifty-five (55) days prior to the date set for convening the Ordinary General Assembly. The Chairman of the Board shall sign the said documents and they shall be placed at the disposal of the shareholders in the Company's head office at least twenty-five (25) days prior to the date set for the Ordinary General Assembly. The Chairman of the Board of Directors shall publish in a newspaper circulated in the city where the head office of the Company is located, the financial statements and a comprehensive summary of the Board of Directors' report and the full text of the Auditors' Report, and shall send copies of such documents to the Companies Department at the Ministry of Commerce and Industry and the Capital Market Authority at least twenty-five (25) days prior to the date set for convening the Ordinary General Assembly.

Financial Statements:

The financial statements of the Company shall consist of a statement of financial position for insurance operations and shareholders, a statement of surplus (deficit) of insurance operations, a statement of shareholders' income, a statement of shareholders equity, a statement of cash flow of insurance operations and a statement of cash flow of shareholders.

Insurance Accounts:

The insurance operations accounts shall be kept separate from the Shareholders' income statement, according to the following details:

First: Insurance Operations Accounts

1) An independent account shall be dedicated to earned premiums, reinsurance commissions and other commissions.
2) An independent account shall be dedicated to compensation incurred by the Company.
3) There shall be determined at the end of every year the total surplus which represents the total premiums and compensation less marketing and administrative, and operational expenses and the necessary technical provisions in accordance with the directives in this regard;
4) Net surplus shall be determined by: adding to, or subtracting from, the total surplus in sub-Article (3) above, the policyholders' investment return share after calculating the policyholders' earnings and deducting what they owe in expenses realised; and
5) Net surplus shall be distributed as follows: ten percent (10%) directly to the Policyholders or such greater percentage as may be determined by the Board of Directors and carrying over the balance to the Shareholders' income statement.

Second: Shareholders' Income Statement

a) The Shareholders' profits from the investment of their funds shall be in accordance with the rules set by the Board of Directors.
b) The share of the Shareholders in the net surplus shall be as set forth in paragraph (5) of this Article.

Distribution of Annual Profits:

Shareholders' profits shall be distributed as follows:

1) Zakat and tax allocations are to be withheld.
2) Twenty percent (20%) of the net profits shall be set aside to form a statutory reserve. Such setting aside shall be discontinued when said reserve totals the entire paid-up capital.
3) The Ordinary General Assembly may, upon request of the Board of Directors, set aside an additional percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly.
4) Out of the balance of the profits, there shall be paid to the Shareholders an initial payment of not less than five percent (5%) of the paid-up capital.
5) The balance shall be distributed among the Shareholders as an additional share of the profits or transferred to retained profits account.
6) By resolution of the Board of Directors, periodic profits deducted from the annual profits specified in subsection (4) above, may be distributed in accordance with applicable rules and regulations issued by competent authorities.

The Company shall notify the Capital Market Authority without delay of any decisions to distribute profits or any recommendation to do so. The profits to be distributed among the Shareholders shall be paid at such place and times as determined by the Board of Directors, in accordance with the directives issued by the Ministry of Commerce and Industry and subject to the prior written approval of the Saudi Arabian Monetary Agency.

Company Losses:

If the Company's losses total three-quarters of its capital, then the members of the Board of Directors shall call the Extraordinary General Assembly for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified thereof under Article 5 of these By-Laws. In all cases the Assembly's resolution shall be published in the Official Gazette.

Dissolution and Winding Up of the Company:

The Company shall expire upon the expiry of its term in accordance with these By-Laws or by reason of the provisions of the Companies Regulations. If the Company is dissolved prior to the time set for the expiry of such duration, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and remuneration. The powers of the Board of Directors shall cease upon the expiration of the Company. However, the Board shall continue the management of the Company until the liquidators are appointed. The Company's administrative departments shall retain their respective powers to the extent that they do not interfere with the powers of the liquidators. In the liquidation process, due attention shall be given to preserve the rights of the Policyholders in the surplus of insurance operations and the reserves created in accordance with Articles 40 and 41 of these By-Laws.

Final Provision:

The Cooperative Insurance Company Control Law and its Implementing Regulations, the Companies Regulations, and the Capital Market Law and its Implementing Regulations shall apply to all other matters not specifically provided for herein.

Publication:

These By-Laws shall be filed and published in accordance with the Companies Regulations.

15. Subscription Terms and Conditions

All Eligible Shareholders must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form, since the completion and execution of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

Signing the Subscription Application Form and submitting it to the Receiving Bank is considered a binding agreement between the Company and the Eligible Shareholder. Eligible Shareholders may obtain the Prospectus and Subscription Application Form from the following Receiving Banks:

Receiving Banks				
The Saudi British Bank	Al Rajhi Bank	National Commercial Bank	Al Jazira Bank	Samba Financial Group

15.1 Subscription to the Rights Issue

As per this Prospectus, 24,000,000 shares will be offered for subscription through the Rights Issue Offering at an Offer Price of SAR 12.5 per share, (a nominal value of SAR 10 and a premium of SAR 2.5 per share), being made to, and is only capable of acceptance by registered holders of Shares at the close of trading on the Extraordinary General Assembly Meeting ("EGM") date which falls on 17/08/1430H (corresponding to 08/08/2009G).

The Company has made an application to the CMA for admission of the New Shares to the official list. An application will be submitted to the CMA to start trading in the offered shares after completion of the subscription process.

Subscription Application Forms will be received by the branches of Receiving Banks in the Kingdom from 24/08/1430H (corresponding to 15/08/2009G) until 05/09/1430H (corresponding to 26/08/2009G). After signing and submitting the Subscription Application Form the bank will stamp it and furnish the eligible subscriber with a copy. If the information filled in the form turns to be incomplete or incorrect or the form is not stamped by the bank, the Subscription Application Form will be considered void.

The Eligible Shareholder who does not subscribe in the Offering will not be entitled to any of the benefits against his right in the subscription except his compensation for his partial or total abandonment of subscription in the Rights Issue to which he is entitled on condition that there is compensation as detailed below. However, the Eligible Shareholder keeps the same number of shares he holds before the capital increase. If the Eligible Shareholder opts not to use his right in the New Shares and not to subscribe in the Rights Issue, his share in the Company and the value of the shares he currently holds will drop by definition.

The Eligible Shareholder shall accept the subscription terms and conditions and fill all sections of the Subscription Application Form. In case the form completed by an applicant does not meet any of subscription terms and conditions, the Company shall have the right to reject that application in part or whole. The applicant shall also accept any number of shares allotted to him from the Rights Issue. Any application providing incomplete or incorrect information or is not stamped by the Receiving Bank will be considered void. The application form may not be amended or withdrawn after submission to the receiving bank, and shall be considered as a binding contract between the subscriber and the Company.

Eligible Shareholders who do not subscribe for the new Shares:

Eligible Shareholders who do not subscribe for New Shares will be subject to a fall in the percentage of their ownership in the Company and the value of the shares they currently hold. As per CMA instructions and in accordance with its requirements, Eligible Shareholders who do not subscribe for all or part of the New Shares may receive compensation, if any, to be calculated as shown below and they will keep the shares they have been holding before subscription. If the highest price demanded is equal to the offer price, Eligible Shareholders who do not subscribe for New Shares will not get any compensation for not subscribing for the New Shares.

The compensation amount ("Compensation Amount") (if any) for shareholders who do not subscribe for New Shares will be calculated as follows:

1. Proceeds of Subscription for Additional Shares

New shares not subscribed for by Eligible Shareholders by the close of trading for the Company's shares before the EGM on 17/08/1430H (corresponding to 08/08/2009G) ("Additional Shares") will be allotted to Eligible Shareholders who subscribed for a number of shares more than the number they deserve on condition that they subscribe in all the shares they deserve and for the price specified in the application form. Allocation priority in such a case will be for Eligible Shareholders who requested additional shares for the highest price. Amounts received from subscription for such shares (after deduction of the offer price that will go to the Company and the administrative expenses) will be the amounts to be distributed to Eligible Shareholders who do not subscribe.

2. Compensation Amount

Compensation per share will be calculated by dividing the compensation amount (after deduction of the offer price that will go to the Company and the administrative expenses) by the total number of shares not subscribed for by Eligible Shareholders. The compensation per share will thus be determined and paid to the Eligible Shareholders who did not subscribe for all or part of the shares he deserves.

Filling the Application Form:

The Eligible Shareholder shall specify in the application form the number of New Shares he wants to subscribe for and attach the full due subscription amount. The number of New Shares a shareholder is entitled to subscribe for is calculated by multiplying the number of shares held on the eligibility date by (2.4).

Subscription for additional shares:

Holders of Shares who are registered in the Company's records upon the last close of trading before convening of the Extraordinary General Assembly which approves the Capital increase have the right to apply for subscription for additional numbers of shares to cover those for which rights issue was not practiced. Subscription shall be as per one of the following correct prices only:

1. Offer price of the New Share.
2. Offer price of the New Share plus an amount equal to 30% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price which is modified after convening of the EGM multiplied by the division product of the number of the Company's Shares pre-Offering over the number of New Shares, rounded to the nearest round number.
3. Offer price of the New Share plus an amount equal to 60% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price which is modified after convening of the EGM multiplied by the division product of the number of the Company's Shares pre-Offering over the number of New Shares, rounded to the nearest round number.
4. Offer price of the New Share plus an amount equal to 90% of the difference between the market price of the Company's share at the end of trading preceding the convening of the EGM which approved the capital increase and the share price which is modified after convening of the EGM multiplied by the division product of the number of the Company's Shares pre-Offering over the number of New Shares, rounded to the nearest round number.

Prices of subscription in additional New Shares shall be as follows: SAR 12.5 per share, SAR 19 per share, SAR 26 per share, SAR 33 per share with acknowledgement that the Eligible Shareholder may not choose more than one price for the Additional Shares, rounded up to the nearest round number.

Any New Shares remaining after expiry of the Offering Period shall be subscribed for by the underwriter as per the subscription price for the share.

Subscription for the whole shares entitled to the Eligible Shareholder:

The Eligible Shareholders, who wishes to use his full right and subscribe for all the Rights Issue Shares he is entitled to subscribe for, has to fill out the Subscription Application Form and submit it (together with the full subscription amount and the required documents) to a branch of one of the Receiving Banks during the Offering Period.

Number of the shares the Eligible Shareholder is entitled to subscribe for shall be calculated by means of multiplying the number of shares held at the Eligibility Date by (2.4), and it should be noted that fraction number of shares may not be subscribed for, and such number must be rounded whenever it is necessary. As for the subscription amount which the subscriber ought to pay, it shall be calculated through multiplication of SAR 12.5 by the number of the shares, entitled to the subscriber.

Non-subscription for the New Shares:

If any Eligible Shareholder does not wish to subscribe for the New Shares he is entitled to subscribe for, he shall be considered as one of the shareholders who are not participating in the subscription and shall have the right of obtaining the compensation amount, if any, as shown above, and the other Eligible Shareholders will have the right of subscribing for the shares he is entitled to subscriber for them.

Partial Subscription:

If the Eligible Shareholder intends to subscribe for part of the shares he is entitled to subscribe for, he must submit during the Offering Period an application enclosed with it the subscription amount and the required documents. In this case, the Eligible Shareholder shall be considered a non-participating shareholder with regard to the shares he is entitled to but he did not subscribe for, and will have the right of obtaining the compensation amount, if any.

Documents required to be submitted with the Subscription Application Forms:

The Subscription Application Form must be submitted together with the following documents, and the Receiving Banks shall match the copy of each document with the original document and then return the original documents to the subscriber:

- The original ID and a copy of it (in case of the individual subscriber).
- The original family card and a copy of it (for the family members).
- The original power of attorney and a copy of it (in case of authorising another person for the subscription).
- The original guardianship document (for orphans) and a copy of it (for individual subscriber).
- The original residence permit (Iqama) and a copy of it for non-Saudis, whenever applicable (for individual subscriber).
- The original commercial registration and a copy of it (in case of the artificial personality).

The subscription amount shall be paid in full, upon submission of the Subscription Application Form to a branch of one of the Receiving Banks, through authorising the Receiving Bank to debit the account of the subscriber at the Receiving Bank with the required amount, or through a certified check drawn at one of the local banks and registered under the name of SABB Takaful Company.

Power of attorney will be restricted to children and parents only. In case of applying on behalf of another person, the attorney shall write his name and sign the Subscription Application Form. He must attach the original and a copy of a legal power of attorney issued by a notary public (for individuals residing in Saudi Arabia) or approved by the Saudi Embassy or Consulate in the country of the subscriber (for individuals residing outside Saudi Arabia).

Submission of the Subscription Application Form

Receiving Banks shall start receiving subscription applications commencing 24/08/1430H (corresponding to 15/08/2009G) until the end of 05/09/1430H (corresponding to 26/08/2009G). Applications can be delivered during the Offering Period either through a branch of the Receiving Banks or tele-banking services section or automated teller machines (ATMs) or internet banking of any of the Receiving Banks providing such services. It is to be noted that the Subscription Application Form includes further information to be strictly followed.

Upon completing, signing and submission of the Subscription Application Form, the Receiving Bank shall stamp it and give the subscriber a copy thereof.

The Eligible Shareholder agrees to subscribe for the number of New Shares stated in the Subscription Application Form submitted by him and purchase the same for an amount equivalent to:

1. For shares he is entitled to: an amount equivalent to number of New Shares subscribed for multiplied by Offering Price of SAR12.5 per share
2. For additional New Shares: an amount equivalent to number of additional New Shares applied for multiplied by one of the prices indicated under the item "Subscription for additional New Shares" and in the Subscription Application Form.

The subscriber from among Eligible Shareholders is deemed to have bought the number of shares allotted to him when the following terms are fulfilled:

- The Eligible Shareholder delivers the Subscription Application Form to one of the Receiving Banks branches.
- Payment of full subscription amount (as specified above) by the Eligible Shareholder subscribing through the Receiving Bank.
- The subscribing Eligible Shareholder receives allotment notification from the Receiving Bank specifying number of New Shares allocated to him.

Eligible Shareholders will not be allocated shares exceeding number of New Shares they subscribed for.

15.2 Allocation and Refund

Receiving Banks shall open an escrow account called "SABB Takaful Company Account".

Shares of the Rights Issue will be allocated to Eligible Shareholders who subscribed proportionate to existing shares held by them at the Eligibility Date.

A minimum of (12) shares will be allocated for every (5) shares held by holders of Shares on the Eligibility Date, who submit applications for that purpose and have completed subscription procedures accurately. In case of failure of subscription for all New Shares as per the formula illustrated above, the additional New Shares shall be allocated to Eligible Shareholders who have subscribed for more shares than they are entitled to, at the higher then lower and then lower of the prices indicated under item "Subscription for additional shares". In case subscription applications, at any of the prices mentioned above, exceed the shares offered for sale, allocation will take place among subscribers on a pro-rata basis. The Underwriter shall buy any New Shares that have not been subscribed for during the Offering Period, if any. As for those entitled to share fractions, fractions shall be added up in one portfolio and then sold at market price and offer price surplus shall be distributed to Eligible Shareholders as per fractions he is entitled to.

Final announcement of the final number of shares allocated to each Eligible Shareholder and surplus refund (if any), without any charges or withholdings by subscription manager or Receiving Banks, is expected to be on 11/09/1430H (corresponding to 01/09/2009G).

Excess of subscription monies shall be refunded in full without any fees or deductions through crediting subscribers' accounts at the Receiving Bank. Eligible Shareholders shall contact the branch of the Receiving Bank where they have submitted the Subscription Application Form to obtain any further information.

Compensation

The compensation to Eligible Shareholders who do not subscribe for all or part of the New Shares, if any, will be paid no later than 19/10/1430H (corresponding to 11/10/2009G).

Trading of New Shares

Trading of offered shares will take place upon completion of all relevant procedures. This is expected to take place after the return of excess funds in coordination with the Capital Market Authority and will be announced at a later date.

15.3 Acknowledgments

By completing and presenting the Subscription Application Form, the Subscriber:

- accepts subscribing for the Company's shares with the number of shares specified in the Subscription Application Form;
- warrants that he/she has read the Prospectus and understood all its contents;
- accepts the By-Laws of the Company and all subscription instructions, terms and conditions mentioned in the Prospectus;
- does not waive his/her right to claim any damages directly arising from any incorrect or inadequate significant information in the Prospectus, or for any material information missing there from, which would directly impact the subscriber's acceptance to subscribe had it been contained in the Prospectus.
- declares that neither himself/herself nor any of his/her family members included in the Subscription Application Form have previously subscribed to this Right Offering in which case the Company has the right to reject all applications;
- accepts the number of shares allocated to him/her and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form;
- warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Bank.

15.4 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The terms and conditions set here and any receipt of the Subscription Application Forms or any related agreements are subject to regulations of the Kingdom, and shall be interpreted and executed according to such regulations. The Prospectus has been released in both Arabic and English languages. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus will prevail.

15.5 The Saudi Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System "ESIS". In 1990G, full electronic trading in Saudi Arabia equities was introduced. As at 31/03/2009G, the market capitalisation was SAR 884.19 billion with 127 Companies listed and traded on Tadawul.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 11:00 a.m. to 3:30 p.m., from Saturday until Wednesday of each week. After close of exchange trading, orders can be entered, amended or deleted 10:00 a.m. until 11:00 a.m.. New entries and inquiries can be made from 10:00 a.m. of the opening phase (starting at 11:00 a.m.). These timing are subject to change during the Holy month of Ramadan, and are announced through the management of Tadawul.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

16. Documents Available for Inspection

The following documents will be available for inspection at Head Office of the Company in Riyadh city, Prince Abdulaziz bin Mesaed bin Jalawi Road, during official working hours, from 8.30 a.m. to 5.30 p.m., Saturdays to Wednesdays, one week prior to and during the Offering Period:

1) By-laws of the Company.
2) Certified Commercial Registration Certificate.
3) Recommendation of the Board of Directors in relation to the Capital Increase.
4) Resolution of the Extraordinary General Assembly approving the increase in the Company's Capital.
5) Audited Financial Statements for the period from 15 May 2007G to 31 December 2008G.
6) Consent letters from the Financial Advisor and Lead Manager, Legal Advisor, Reporting Accountant and Underwriter, to include their names, logos, and any statements they provided, in the Prospectus.
7) Financial Valuation Report of the Company including the future plans.
8) Copies of the Material Contracts and agreements mentioned in the "Legal Information" section of the Prospectus on page "70".

Appendix I: Audited Financial Statements for the period from 15 May 2007G to 31 December 2008G

SABB TAKAFUL COMPANY

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2008

Ernst & Young | KPMG | KPMG Al Fozan & Al Sadhan

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SABB TAKAFUL COMPANY - A SAUDI JOINT STOCK COMPANY

SCOPE OF AUDIT:

We have audited the accompanying balance sheets of SABB Takaful Company – A Saudi Joint Stock Company ('the Company') as at 31 December 2008 and the related statements of takaful operations, shareholders' operations, changes in shareholders' equity and takaful operations and shareholders' cash flows for the period then ended and the notes which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards and the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. Except for the matter explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

QUALIFICATION:

As described in Note 2, management have prepared these financial statements in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. Based on evidence and information available to us, we have been unable to conclude whether the basis used in the preparation of these financial statements is appropriate.

QUALIFIED OPINION:

In our opinion, subject to the matter described above, the financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as at 31 December 2008 and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.
- Comply with the requirements of the Regulations for Companies and the Company's bye-laws with respect to the preparation and presentation of the financial statements.

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22 Safar 1430 H
(17 February 2009)

BALANCE SHEETS
As At 31 December 2008

	Notes	SAR'000
TAKAFUL OPERATIONS' ASSETS		
Available-for-sale investments	5	**65,561**
Contributions receivable, net	6	**25,744**
Retakaful share of outstanding claims	9	**7,457**
Retakaful share of unearned contributions (general takaful)	10 (b)	**23,818**
Deferred policy acquisition costs		**4,256**
Prepayments and other receivables	7	**1,456**
Cash and cash equivalents	8	**28,139**
TOTAL TAKAFUL OPERATIONS' ASSETS		**156,431**
SHAREHOLDERS' ASSETS		
Intangible assets		**4,440**
Held-to-maturity investments	5	**15,000**
Prepayments and other receivables	7	**669**
Statutory deposit		**10,000**
Due from takaful operations		**9,798**
Cash and cash equivalents	8	**12,520**
TOTAL SHAREHOLDERS' ASSETS		**52,427**
TOTAL ASSETS		**208,858**

The accompanying notes 1 to 22 form part of these financial statements.

BALANCE SHEETS

As At 31 December 2008

	Notes	SAR'000
TAKAFUL OPERATIONS' LIABILITIES		
Reserve for takaful activities	10 (a)	**65,561**
Unearned contributions (general takaful)	10 (b)	**36,706**
Gross outstanding claims	9	**9,546**
Unearned commission income		**2,971**
Retakaful balances payable		**22,451**
Payables, accruals and others	11	**9,398**
Due to shareholders		**9,798**
TOTAL TAKAFUL OPERATIONS' LIABILITIES		**156,431**
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Issued share capital	12	**100,000**
Accumulated losses		**(48,863)**
TOTAL SHAREHOLDERS' EQUITY		**51,137**
SHAREHOLDERS' LIABILITIES		
Payables, accruals and others	11	**632**
Provision for zakat		**658**
		1,290
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**52,427**
TOTAL TAKAFUL OPERATIONS' LIABILITIES, SHAREHOLDERS' EQUITY AND LIABILITIES		**208,858**

The accompanying notes 1 to 22 form part of these financial statements.

STATEMENT OF TAKAFUL OPERATIONS

For The Period From 15 May 2007 To 31 December 2008

	Notes	SR'000
Gross contributions written		
Family takaful	13	**166,248**
General takaful	13	**46,530**
		212,778
Gross contributions earned	13	**72,951**
Retakaful contributions ceded	13	**(26,722)**
Net contributions earned	13	**46,229**
Fees and commission income		**3,889**
Investment income		**618**
Total revenue		**50,736**
Gross claims paid	9	**(9,070)**
Retakaful share of claims paid	9	**4,499**
Net claims paid		**(4,571)**
Change in gross outstanding claims		**(9,546)**
Change in retakaful share of outstanding claims		**7,457**
Net claims incurred		**(6,660)**
Commission expenses, net		**(13,047)**
General and administrative expenses	14	**(39,320)**
Retakaful expenses		**(35)**
Total claims and other expenses		**(59,062)**
Net deficit for the period from takaful operations		**(8,326)**
Net deficit transferred to statement of shareholders' operations		**8,326**
Net result for the period		**-**

The accompanying notes 1 to 22 form part of these financial statements.

SABB Takaful Company (A Saudi Joint Stock Company)

STATEMENT OF SHAREHOLDERS' OPERATIONS

For The Period From 15 May 2007 To 31 December 2008

	Notes	SAR'000
Investment income		**2,573**
Income from sukuks		**653**
Total revenue		**3,226**
Net deficit transferred from takaful operations		**(8,326)**
General and administrative expenses	14	**(11,044)**
Pre-operating expenses		**(32,061)**
Net loss for the period		**(48,205)**
Basic and diluted loss per share (SAR)	19	**(4.82)**

The accompanying notes 1 to 22 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For The Period From 15 May 2007 To 31 December 2008

	Note	*Share capital*	*Accumulated losses*	*Total*
		SAR'000	**SAR'000**	**SAR'000**
Issue of share capital		100,000	-	100,000
Net loss for the period		-	(48,205)	(48,205)
Provision for zakat	16	-	(658)	(658)
Balance as at 31 December 2008		**100,000**	**(48,863)**	**51,137**

The accompanying notes 1 to 22 form part of these financial statements.

STATEMENT OF TAKAFUL OPERATIONS' CASH FLOWS
For The Period From 15 May 2007 To 31 December 2008

	Notes	SAR'000
OPERATING ACTIVITIES		
Net result for the period		**-**
Changes in operating assets and liabilities:		
Available-for-sale investments		**(65,561)**
Contributions receivable, net		**(25,744)**
Retakaful share of outstanding claims		**(7,457)**
Retakaful share of unearned contributions (general takaful)		**(23,818)**
Deferred policy acquisition costs		**(4,256)**
Prepayments and other receivables		**(1,456)**
Reserve for takaful activities		**65,561**
Unearned contributions (general takaful)		**36,706**
Gross outstanding claims		**9,546**
Unearned commission income		**2,971**
Retakaful balances payable		**22,451**
Payables, accruals and others		**9,398**
Net cash from operating activities		**18,341**
FINANCING ACTIVITIES		
Due to shareholders		**9,798**
Net cash from financing activities		**9,798**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2008	8	**28,139**
Non-Cash Supplemental Information:		
Net change in the fair value of investments	5 (c)	**(19,774)**

The accompanying notes 1 to 22 form part of these financial statements.

STATEMENT OF SHAREHOLDERS' CASH FLOWS
For The Period From 15 May 2007 To 31 December 2008

	Note	SAR'000
OPERATING ACTIVITIES		
Net loss for the period		**(48,205)**
Adjustment for:		
Amortization		**1,688**
		(46,517)
Changes in operating assets and liabilities:		
Prepayments and other receivables		**(669)**
Statutory deposit		**(10,000)**
Payables, accruals and others		**632**
Net cash used in operating activities		**(56,554)**
INVESTING ACTIVITIES		
Purchase of held-to-maturity investments		**(15,000)**
Purchase of intangible assets		**(6,128)**
Due from takaful operations		**(9,798)**
Net cash used in investing activities		**(30,926)**
FINANCING ACTIVITIES		
Issue of share capital		**100,000**
Net cash from financing activities		**100,000**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2008	8	**12,520**

The accompanying notes 1 to 22 form part of these financial statements.

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

SABB Takaful Company (the Company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010234032 dated 27 Rabi Thani 1428H (corresponding to 15 May 2007). The registered address of the Company is P. O. Box 9086, Riyadh 11413, Kingdom of Saudi Arabia.

The purpose of the Company is to transact takaful operations and all related activities. Its principal lines of business include Individual Family, Group Family and General Takaful products and it operates only in the Kingdom of Saudi Arabia.

In accordance with the Company's bye-laws and articles of association, the Company's first fiscal year commenced on the issuance date of the Ministerial Resolution declaring the incorporation of the Company, dated 27 Rabi Thani 1428H (corresponding to 15 May 2007), and ended on 31 December 2008. Accordingly, these are the first financial statements of the Company.

2 BASIS OF PREPARATION

Basis of measurement
The financial statements have been prepared on a historic cost basis except for the measurement at fair value of available-for-sale investments.

Statement of compliance
The Law On Supervision of Cooperative Insurance Companies requires that the financial statements of the Company shall be prepared in accordance with accounting principles applicable in the Kingdom of Saudi Arabia i.e. in accordance with Standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). However a letter was issued by the Capital Markets Authority (CMA) on 27 August 2008 expressing no objection to the publication of accounts under International Financial Reporting Standards (IFRS). At a meeting with the insurance regulator on 7 January 2009 the Company was instructed to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

Accordingly, the financial statements of the Company have been prepared in accordance with IFRS.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of takaful operations or statement of shareholders' operations unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Functional and presentational currency
The functional and presentational currency of the Company is Saudi Riyals. The financial statement values are presented in Saudi Riyals rounded to the nearest thousand (SAR'000), unless otherwise indicated.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

New standards and interpretations issued but not yet effective
The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for these financial statements.

IFRS 8 – Operating Segments
IAS 1 – Presentation of Financial Statements (Revised)
IAS 32 – Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

The application of the above Standards is not expected to have a material impact on the financial statements as and when they become effective. However, the application of these standards will result in amendments to the presentation of the financial statements.

Product classification
Takaful contracts are those contracts where the Company (the insurer) has accepted significant takaful risk from another party (the plan holders) by agreeing to compensate the plan holders if a specified uncertain future event (the insured event) adversely affects the plan holders. As a general guideline, the Company determines whether it has significant takaful risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Takaful contracts have discretionary participation features (DPF). DPF are contractual rights to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the
    - performance of a specified pool of contracts or a specified type of contract
    - the profit or loss of the takaful operation.

Claims
Claims consist of amounts payable to plan holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the balance sheet date, whether reported or not. Provisions for reported claims not paid as at the balance sheet date, are made on the basis of individual case estimates. In addition, a provision based on the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the balance sheet date.

Any difference between the provisions at the balance sheet date and settlements and provisions in the following year is included in the underwriting account for that year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserve for takaful activities
The reserve for takaful activities is calculated on the basis of a prudent prospective external actuarial valuation method through the use of prospective discounted cash flow techniques or the current unit fund price.

The actuarial valuation includes a provision for participation which is the amount the Company expects to pay investment contract holders.

Liability adequacy test
At each balance sheet date, a liability adequacy test is performed to ensure the adequacy of the takaful contract liabilities net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of takaful operations initially by writing off of related deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Retakaful
Retakaful contracts are contracts entered into by the Company under which the Company is compensated for losses on takaful contracts issued.

The benefits to which the Company is entitled under its retakaful contracts held are recognized as retakaful assets. These assets consist of the retakaful share of settlement of claims and other receivables such as profit commissions and retakaful share of outstanding claims that are dependent on the expected claims and benefits arising under the related retakaful contracts. Amounts recoverable from or due to retakaful companies are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract.

At each reporting date, the Company assesses whether there is any indication that a retakaful asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of a retakaful asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment is recognized in the statement of takaful operations.

In line with the objective to provide first-class security to clients and continued profitability to shareholders, the Company adopts a conservative philosophy on underwriting of risks and in arranging its retakaful programs.

Deferred policy acquisition costs (DPAC)
Those direct and indirect costs incurred during the financial period arising from the writing or renewing of takaful contracts are deferred to the extent that these costs are recoverable out of future contributions. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the term of expected future contributions. Amortization is recorded in the statement of takaful operations.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value an impairment loss is recognised in the statement of takaful operations. DPAC is also considered in the liability adequacy test for each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets
The Company's financial assets are classified as available-for-sale investments and held-to-maturity investments.

The classification depends on the purpose for which the investments were acquired or originated. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) are passively managed and/or carried at amortised cost.

Available-for-sale financial assets held to cover unit-linked liabilities
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three categories available under IAS 39. These investments are initially recorded at fair value. After initial measurement available-for-sale investments are measured at fair value. Fair value gains and losses are reported as a separate component and included under the reserve for takaful activities.

Financial assets held to cover unit-linked liabilities represent assets associated with certain contracts, for which the investment risk lies predominantly with the contract holder. These represent investments in units of mutual funds, which are readily marketable.

Financial assets held-to-maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold until maturity. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial recognition, held-to-maturity investments are measured at amortized cost, using the effective yield method. Gains and losses are recognized in the statement of shareholders' operations when the investments are derecognized or impaired, as well as through the amortization process.

Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Trade date accounting
All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the timeframe generally established by regulation or convention in the market place.

Fair values
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on Management's best estimates and the discount rate used is a market related rate for a similar instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)
If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets (including retakaful receivables) may be impaired. If such evidence exists, any impairment loss is recognized in the statement of takaful operations or the statement of shareholders' operations. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of takaful operations or the statement of shareholders' operations;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortization is calculated on a straight line basis over the useful life of the assets as follows:

- Software - 5 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of shareholders' operations in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of shareholders' operations when the asset is derecognized.

Takaful receivables
Takaful receivables are recognized when due and measured on initial recognition at the fair value of the considerations received or receivable. The carrying value of takaful receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of takaful operations. Takaful receivables are derecognized when the derecognition criteria for financial assets have been met.

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognized when the Company has an obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income recognition
Contributions are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned contribution represents the portion of contribution written relating to the unexpired period of coverage at the balance sheet date. The change in the provision for unearned contribution is taken to the statement of takaful operations in order that revenue is recognized over the period of risk.

The underwriting surplus represents contributions earned less claims paid, other underwriting expenses and anticipated claims payable in respect of the year, net of amounts subject to retakaful, less provision for any anticipated future losses on continuing policies.

Commissions receivable on outward retakaful contracts are deferred and amortised on a straight line basis over the term of the expected contributions payable.

Commission income is accounted for on an effective yield basis.

Zakat
The company is subject to zakat in accordance with the Saudi Arabian fiscal regulations. Zakat is accrued and charged directly to shareholders' equity.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and Murabaha deposits with an original maturity of three months or less at original acquisition.

Foreign currencies
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of takaful operations, except when they relate to items where gains or losses are recognized directly in equity and the gain or loss is recognized net of the exchange component in equity.

As the Company's foreign currency transactions are primarily in US dollars, foreign exchange gains and losses are not significant and have not been disclosed separately.

Statutory reserve
In accordance with its Articles of Association, the Company shall allocate 20% of its net income each year to the statutory reserve until it has built up a reserve equal to the capital. In view of the incurred losses, no such transfer has been made for the period ended 31 December 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting
A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. For management purposes, the Company is organised into business units based on their products and services and has three reportable operating segments as follow:

(i) Individual Family Takaful products meet individual customer needs such as financial protection for dependants in the event of death or disability of the plan holder, children's education, saving for retirement and protection for the family and more. These products cater to various segments of the Saudi market to all classes of society

(ii) Group Family Takaful products provide cover for employees and their family in the event of death or total and permanent disability. Packaged as Group Takaful solutions, they meet the protection needs of groups of various nature and sizes and are ideal for corporations or institutions

(iii) General Takaful products for companies provide companies with cover for business protection. The provision of solutions targeted towards business property and marine cargo for unpredictable events safeguard the plan holder. General Takaful solutions for individuals protect the individual and family against unfortunate events with respect to the plan holder's home property, incidences during travel and personal accident.

(iv) Shareholders' Funds is a non-operating segment. Commission income earned from investments and murabaha deposits is the only revenue generating activity. Certain direct operating expenses and other overhead expenses are allocated to this segment on an appropriate basis. The losses or surplus from the takaful operations would be allocated to this segment on an appropriate basis.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. Company financing and zakat are managed on a Company basis and are not allocated to individual operating segments.

No inter-segment transactions occurred during the period. If any transaction were to occur, transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of financial statements of the Company.

Because the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

The ultimate liability arising from claims made under general takaful contracts
The estimation of the ultimate liability arising from claims made under general takaful contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that needed to be considered in estimating the liability that the Company will ultimately pay for such claims. The provision for claims incurred but not reported (IBNR) is an estimation of claims which are expected to be reported subsequent to the balance sheet date, for which the insured event has occurred prior to the balance sheet date. The primary technique adopted by the management in estimating the cost of notified and IBNR claims, is that of using the past claims settlement trends to predict future claims settlement trends.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

The ultimate liability arising from claims made under general takaful contracts (continued)
Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

The ultimate liability arising from claims made under individual and group takaful contracts
The liability for individual and group takaful contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Lapse and surrender rates depend on product features, policy duration and external circumstance, such as sale trends. Credible own experience is used in establishing these assumptions.

Impairment losses on receivables
The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred policy acquisition costs
Certain acquisition costs related to the sale of new policies are recorded as deferred policy acquisition costs (DPAC) and are amortised in the statement of takaful operations over the related period of policy coverage. If the assumptions relating to future profitability of these policies are not realised, the amortization of these costs could be accelerated and this may also require additional impairment write-offs in the statement of takaful operations.

Classification of held-to-maturity investments
The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgement, the Company evaluates its intention and ability to hold such investments to maturity.

5 INVESTMENTS

a) Investments comprise of available-for-sale and held-to-maturity investments. An analysis of the investments is set out below:

	31 December 2008 SAR'000	
	Takaful Operations	***Shareholders***
Available-for-sale investments – quoted		
Investment in Amanah Mutual Funds	65,561	-
Held-to-maturity investments		
SABIC Sukuk Company – quoted	-	5,000
Saudi Electricity Company Sukuk – quoted	-	5,000
Saudi Hollandi Bank Sukuk – unquoted	-	5,000
	65,561	**15,000**

The SABIC Sukuk Company and Saudi Electricity Company Sukuks will mature on 15 July 2012. The Saudi Hollandi Bank Sukuk will mature on 29 December 2019.

b) The fair value of held-to-maturity investments as at the balance sheet date is SAR 14.98 million.

c) The movement in the available-for-sale investments during the period is as follows:

	31 December 2008 SAR'000
Purchased during the period	95,354
Sold during the period	(10,019)
	85,335
Net change in fair values of investments	(19,774)
Balance as at 31 December 2008	**65,561**

d) The movement in the held-to-maturity investments during the period is as follows:

	31 December 2008 SAR'000
Purchased during the period	**15,000**

6 CONTRIBUTIONS RECEIVABLE, NET

	Note	31 December 2008 SAR'000
Due from plan holders		5,857
Provision for impairment		(288)
		5,569
Due from related parties	20	20,175
Balance as at 31 December 2008		**25,744**

Balances are due from related parties who have investment grade credit ratings issued by external rating agencies.

a) As at 31 December 2008, the ageing of unimpaired plan holder balances is as follows:

			Past due but not impaired		
	Total SAR'000	**Neither past due nor impaired SAR'000**	91 to 180 days **SAR'000**	181 to 365 days **SAR'000**	More than 365 days **SAR'000**
31 December 2008	**25,744**	24,422	1,020	302	-

The Company classifies balances as 'past due and impaired' on a case to case basis. An impairment adjustment is recorded in the statement of takaful operations for this. It is not the practice of the Company to obtain collateral over receivables. Amounts which are neither past due nor impaired, in respect of contributions receivable, are from individuals and unrated corporate plan holders.

7 PREPAYMENTS AND OTHER RECEIVABLES

	Note	31 December 2008 SAR'000	
		Takaful Operations	***Shareholders***
Due from related parties	20	1,073	462
Accrued investment income		-	120
Prepayments and others		383	87
		1,456	**669**

Balances are due from related parties who have investment grade credit ratings issued by external rating agencies.

8 CASH AND CASH EQUIVALENTS

	31 December 2008 SAR'000	
	Takaful Operations	***Shareholders***
Bank balances	5,622	508
Murabaha deposits	22,517	12,012
	28,139	**12,520**

Bank balances and Murabaha deposits are placed with counterparties who have investment grade credit ratings.

Murabaha deposits are made for varying periods of between one day and three months depending in the immediate cash requirements of the Company. All deposits are subject to an average variable commission rate of 3%.

The carrying amounts disclosed above reasonably approximate fair value at the balance sheet date.

9 OUTSTANDING CLAIMS

	Notes	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Family takaful outstanding claims	9 (a)	1,710	(1,873)	(163)
General takaful outstanding claims	9 (b)	7,836	(5,584)	2,252
Total takaful outstanding claims		**9,546**	**(7,457)**	**2,089**

a) Family takaful outstanding claims

	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Claims incurred during the period	6,581	(3,085)	3,496
Claims paid during the period	(4,871)	1,212	(3,659)
Family takaful outstanding claims	**1,710**	**(1,873)**	**(163)**

b) General takaful outstanding claims

	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Claims incurred during the period	12,035	(8,871)	3,164
Claims paid during the period	(4,199)	3,287	(912)
General takaful outstanding claims	**7,836**	**(5,584)**	**2,252**
As at 31 December 2008			
Claims outstanding	4,153	(3,493)	660
IBNR	3,683	(2,091)	1,592
	7,836	**(5,584)**	**2,252**

10 MOVEMENT IN RESERVE FOR TAKAFUL ACTIVITIES AND UNEARNED CONTRIBUTION INCOME (GENERAL TAKAFUL)

a) Movement in reserve for takaful activities

	SAR'000
Changes in reserve during the period	103,121
Planholder charges	(17,786)
Net change in fair value of investments	(19,774)
Balance as at 31 December 2008	**65,561**

The reserve for takaful activities represents the unit linked takaful plan reserve.

b) Movement in unearned contribution income (general takaful)

	Gross SR'000	Retakaful share SR'000	Net SR'000
Contribution written during the period	212,778	(50,540)	162,238
Contribution earned during the period	(176,072)	26,722	(149,350)
At 31 December 2008	**36,706**	**(23,818)**	**12,888**

11 PAYABLES, ACCRUALS AND OTHERS

	Note	31 December 2008 SAR'000	
		Takaful Operations	*Shareholders*
Accounts payable and accruals		3,525	516
Payable to agents		3,773	-
Due to related parties	20	2,100	116
		9,398	**632**

12 SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of 10 million issued and fully paid ordinary shares of SAR 10 each.

13 CONTRIBUTIONS EARNED

	Notes	Gross SAR'000	Retakaful share SAR'000	Net SAR'000
Family takaful		166,248	(19,819)	146,429
General takaful		46,530	(30,721)	15,809
Changes in reserve for takaful activities	10 (a)	(103,121)	-	(103,121)
Changes in unearned contribution provisions	10 (b)	(36,706)	23,818	(12,888)
Contribution earned		**72,951**	**(26,722)**	**46,229**

14 GENERAL AND ADMINISTRATIVE EXPENSES

	Period from 15 May 2007 to 31 December 2008 SAR'000	
	Takaful Operations	***Shareholders***
Employee costs	24,014	6,003
IT maintenance cost	5,091	1,273
Legal and professional charges	2,996	749
Travelling expenses	1,399	350
Amortization	-	1,688
Miscellaneous	5,820	981
	39,320	**11,044**

15 SEGMENTAL INFORMATION

Consistent with the Company's internal reporting process, business segments have been approved by Management in respect of the Company's activities. The Company's gross written contribution, revenue, amortization, net (loss)/profit, intangible assets, total assets, and total liabilities, by business segment, are as follows:

	Shareholders' Fund SAR'000	Individual Family SAR'000	Group Family SAR'000	General Takaful SAR'000	Total SAR'000
For the period from 15 May 2007 to 31 December 2008					
Gross written contribution	-	128,718	37,530	46,530	**212,778**
Revenue	3,226	24,488	11,393	14,855	**53,962**
Purchase of intangible assets	6,128	-	-	-	**6,128**
Amortization	1,688	-	-	-	**1,688**
Net (loss)/profit	(39,879)	(1,728)	3,335	(9,933)	**(48,205)**
As at 31 December 2008					
Intangible assets	4,440	-	-	-	**4,440**
Total assets	52,427	77,702	45,817	32,912	**208,858**
Total liabilities	1,290	77,702	45,817	32,912	**157,721**

All of the Company's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

16 ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

Provision for zakat of SAR 658 thousand has been made for the period ended 31 December 2008.

The provision for zakat charge relating to Saudi shareholders is based on following:

	SAR'000
Equity	55,427
Opening allowances and other adjustments	70
Book value of long term assets	(4,186)
	51,311
Adjusted loss for the period	(2,982)
Zakat base	**48,329**
Saudi Shareholders' share of zakat base @ 54.5%	**26,339**

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of adjusted loss.

b) Income tax

No income tax provision has been provided due to negative tax base. For the period ended 31 December 2008, the company incurred tax adjusted losses which may be carried forward to future years without limitation of time.

c) Status of assessments

The company has filed tax and zakat declaration for the short period ended 31 December 2007. The Department of Zakat and Income Tax (DZIT) has not initiated its review of the return filed by the Company.

17 STATUTORY DEPOSIT

The statutory deposit represents 10% of the paid-up share capital which is maintained in accordance with the Cooperative Insurance Companies Control Law in the Kingdom of Saudi Arabia. This statutory deposit cannot be withdrawn without the consent of The Saudi Arabian Monetary Agency.

18 CONTINGENCIES AND COMMITMENTS

a) *Legal proceedings and regulations*

The Company operates in the takaful industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

b) Capital commitments and operating lease obligations

The Company has no capital commitments or operating lease commitments as at balance sheet date.

19 LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the balance sheet date.

The basic and diluted loss per share are the same as there are no dilutive effects.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

20 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Pricing policies and terms of these transactions are approved by the company's management.

Details of significant transactions carried out during the period with related parties are as follows.

a) Transactions with related parties

	For the period from 15 May 2007 to 31 December 2008 (SAR'000)
Contributions	
Shareholders, directors and key management personnel	58,251
Claims	
Entities controlled, jointly controlled or significantly influenced by related parties	6,800
Commission and other expenses	
Entities controlled, jointly controlled or significantly influenced by related parties	42,411

b) Balances with related parties

Details of the receivables from and payables to related parties are as follows:

	31 December 2008 SAR'000	
	Takaful Operations	***Shareholders***
Due from related parties		
Shareholders, directors and key management personnel	20,410	53
Entities controlled, jointly controlled or significantly influenced by related parties	838	409
	21,248	**462**
Due to related parties		
Shareholders, directors and key management personnel	2,091	116
Entities controlled, jointly controlled or significantly influenced by related parties	9	-
	2,100	**116**

20 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Outstanding balances at the balance sheet date are unsecured and commission free. Settlement will take place in cash. No provision for impairment was made at balance sheet date. This assessment is undertaken at the reporting date through examining the financial position of the related party and the market in which the related party operates.

c) Compensation of key management personnel

Key management personnel of the Company include all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the period is as follows.

	For the period from 15 May 2007 to 31 December 2008 (SAR'000)	
	Takaful Operations	***Shareholders***
Salaries	**6,682**	**1,617**

21 RISK MANAGEMENT

Risk governance

The Company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and a strategic plan approved by the Board. The Company is exposed to takaful, retakaful, commission rate, credit, liquidity and currency risks.

Risk management structure

A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

Board of directors

The apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Company's pre-defined risk appetite.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

a) Takaful risk

Takaful risk is the risk that actual claims payable to contract holders in respect of takaful events exceed expectations. This could occur because the frequency or amounts of claims are more than expected. Takaful risk is monitored regularly by the Company to make sure the levels are within the projected frequency bands. The Company underwrites mainly property and fire and accident, motor, medical and marine risks.

The Company issues short term takaful policies and they are expected to produce only short tail claims, therefore it is unlikely to have significant reserve movements. This helps to mitigate takaful risk. The risks arising from the above takaful contracts are mainly concentrated in the Kingdom of Saudi Arabia.

21 RISK MANAGEMENT (continued)

Individual takaful

For individual family takaful, the main risk is the mortality and morbidity (permanent or temporary disability) of the insured. This is managed through an effective and clearly defined underwriting strategy. There are various level of underwriting done, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also conducts financial, lifestyle and occupational underwriting to ascertain the degree of risk carried by the insured and to determine whether or not it could be classified as a standard life.

The individual family takaful portfolio is protected through an efficient re-takaful arrangement in accordance with the HSBC group standards. This protects the Company from adverse mortality/morbidity experience. There is a maximum retention per life under the re-takaful arrangement which protects the Company from single large losses. Multiple claims and concentration of risk is also covered under the arrangement.

Group takaful

For group takaful the main risks are mortality and morbidity (permanent or temporary disability) of the insured. The mortality risk is compounded due to the concentration of lives, for e.g. employees in the same workplace. The Company has a clearly defined underwriting strategy. There are various levels of underwriting done, including declaration of good health, medical questionnaire, reports from specialists/consultants and comprehensive medical tests. The Company also looks at the nature of activity carried out by the group, group size, mix of lives by geographical regions, cultural background and manual/non-manual worker split.

The group family takaful portfolio is protected through an efficient re-takaful arrangement in accordance with the HSBC group standards. This protects the Company from adverse mortality/morbidity experience. There is a maximum retention per life under the re-takaful arrangement which protects the Company from single large losses. Multiple claims and concentration of risk is also covered under the arrangement.

Property and fire and accident

For property takaful contracts the main risks are fire and business interruption. The Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has retakaful cover for such damage to limit losses for any individual claim.

Marine

For marine takaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of cargo, vessels and shipping routes covered. The Company has retakaful cover to limit losses for any individual claim.

b) Retakaful risk

In order to minimize its financial exposure to potential losses arising from large claims the Company enters into agreements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is effected under treaty, facultative and excess-of-loss retakaful contracts.

21 RISK MANAGEMENT (continued)

c) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Company has no significant concentration of commission rate risk. The Company is exposed to commission rate risk only on Murabaha deposits and held-to-maturity investments..

The sensitivity of the income is the effect of the assumed changes in the commission rates, with all other variable held constant, on the company's profit for one year, based on the floating rate financial assets held at 31 December 2008. A hypothetical 30 basis points change in the weighted average commission rate of the floating rate financial assets balances at 31 December 2008 would impact commission income by approximately SAR 53 thousand annually in aggregate.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial instruments held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the balance sheet.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- To minimize its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of its retakaful counterparties. Accordingly, as a pre-requisite, the parties with whom retakaful is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company only enters into takaful and retakaful contracts with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and retakaful contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts
- The Company seeks to limit the credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength.

The company issues unit-linked investment policies. In the unit linked business the plan holder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit-linked financial assets.

The table below shows the maximum exposure to credit risk for the components of the balance sheet.

	31 December 2008 SAR'000	
	Takaful Operations	***Shareholders***
Held-to-maturity investments	-	15,000
Contributions and takaful balances receivable	25,744	-
Retakaful share of outstanding claims	7,457	-
Other receivables	1,073	582
	34,274	**15,582**

21 RISK MANAGEMENT (continued)

e) Liquidity risk

Liquidity risk is the risk that a Company will encounter difficulty in meeting obligations associated with the financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing difference between gross cash out-flow and expected retakaful recoveries.

The following polices and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A Company liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

- Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet takaful obligations.

- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

- The Company's catastrophic excess-of-loss retakaful contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity Profiles
The table below summarizes the maturity profile of the financial assets and financial liabilities of the Company based on remaining expected obligations, including commission receivable. For takaful contract liabilities and retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognized takaful liabilities. Unearned contribution and the retakaful share of unearned contribution have been excluded from the analysis as they are not contractual obligations. Unit linked liabilities are repayable or transferable on demand and are included in the up to one year column. Repayments that are subject to notice are treated as if notice were to be given immediately.

	31 December 2008					
	Takaful operations			***Shareholders***		
	Up to one year SAR'000	**More than one year SAR'000**	**Total SAR'000**	**Up to one year SAR'000**	**More than one year SAR'000**	**Total SAR'000**
ASSETS						
Available-for-sale investments	65,561	-	**65,561**	-	-	**-**
Held-to-maturity investments	-	-	**-**	-	15,000	**15,000**
Contributions receivable, net	25,744	-	**25,744**	-	-	**-**
Retakaful share of outstanding claims	7,457	-	**7,457**	-	-	**-**
Other receivables	1,073	-	**1,073**	582	-	**582**
Cash and cash equivalents	28,139	-	**28,139**	12,520	-	**12,520**
TOTAL ASSETS	**127,974**	**-**	**127,974**	**13,102**	**15,000**	**28,102**

21 RISK MANAGEMENT (continued)

e) Liquidity risk (continued)

	31 December 2008					
	Takaful operations			*Shareholders*		
	Up to one year SAR'000	**More than one year SAR'000**	**Total SAR'000**	**Up to one year SAR'000**	**More than one year SAR'000**	**Total SAR'000**
LIABILITIES						
Reserve for takaful activities	65,561	-	**65,561**	-	-	**-**
Gross outstanding claims	9,546	-	**9,546**	-	-	**-**
Retakaful balances payable	22,451	-	**22,451**	-	-	**-**
Accounts payable and accruals	9,398	-	**9,398**	632	-	**632**
TOTAL LIABILITIES	**106,956**	**-**	**106,956**	**632**	**-**	**632**

Liquidity profile
None of the liabilities on the balance sheets are based on discounted cash flows and are payable on a current basis within 1 year.

f) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in currencies linked to the Saudi Riyal.

g) Capital management

Objectives are set by the Company to maintain healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Company's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue shares.

In the opinion of the Board of Directors, the Company has fully complied with the externally imposed capital requirements during the reported financial period.

h) Fair values of financial instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, contribution receivables, investments and accrued income and its financial liabilities consist of payables and accrued expenses and gross outstanding claims.

The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

21 RISK MANAGEMENT (continued)

i) Regulatory framework risk

The operations of the Company are subject to local regulatory requirements within the jurisdictions where it is incorporated. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions e.g. capital adequacy to minimize the risk of default and insolvency on the part of the takaful companies and to enable them to meet unforeseen liabilities as these arise.

22 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 22 Safar 1430 H, corresponding to 17 February 2009.